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## THEORETICAL ISSUES IN THE SINGLE TAX

The temper and point of view of the following discussion will perhaps be made clearer if I set out with a confession of faith:

I believe that the principle at the heart of the single tax agitation—that the fiscal revenues should be derived from the social estates (the regalia principle in ultimate essence), from sources to which the justifications for private property do not attach—is right and vastly important. The rents of mines, forests, waterfalls, franchises, town lots, and also, if practicable, of agricultural lands, should be retained as fiscal properties. Not a society single-taxed, but a society free from all taxes of any sort, is the logic of the principle—a goal well within the reach of a wise and provident public policy. One needs in this connection to recall only the school land properties of the West, the mining wealth set aside for the University of Minnesota, the immense areas of prospective agricultural land forming the endowment of the University of Texas, the salt mines publicly owned in Germany, the royalties which Canada is collecting from very considerable portions of its mineral wealth. As ethical basis, whatever other bases there may conceivably be for private property, the single taxer logically finds nothing but the right of the individual to himself and to the results of his activity—the simple recognition of the meaning of personality and of the ethical relations which it prescribes. That one has produced an item of wealth, or has it by the voluntary transfer of some one that has produced it, affords the sole ethical claim to it. This is doubtless a labor theory of the ethical right of property. Nothing, therefore, which is natural bounty can rightly have been allowed to serve as a source of individual income, to fall into the category of individual ownership.

I believe also that all times have been propitious times, the present a right time no less than any earlier time, for establishing the provision that future increments of earning power from natural resources shall not be permitted to fall into the hands of private owners.

But I don't know what course is now wise in repair of the

blunders that are past. Confiscation, at any rate, a program which shall impose on any casual present owner of original natural bounty the penalty for a general and institutional blunder, appears to me to be an incredibly unethical position for a school of thinkers whose essential doctrine is one of practical ethics. Remedies, however, I do not despair of; the most promising of these being an extreme extension of inheritance taxation. In view of the fact also that the *ad valorem* and property tax methods of state and local taxation subject to fiscal claims only something like one fifth of the total taxable income of society, I am sure that much is possible through the development of state income taxation. If the transfer of the public estates into private ownership was a blunder, the returns from new taxation may well be applied to the purchase of permanent ground rents in the public interest.

These payments could well be fixed at the present worth of ground rent charge for approximately the expectation of life, or even for the possible duration of life, of the actual owner. The principle of escheat or of the inheritance tax carried to its ultimate logical extreme would take care of the residue of value.

None, therefore, of the objections which I shall offer to the typical and usual single tax analysis should be taken to constitute a fundamental or essential criticism. I am, for example, sure that, when the purpose is to appropriate for society a certain rental, the only wise method is to proceed directly against the rental as such, rather than by an *ad valorem* tax upon the value derivative from the rental. In those cases where the property burdened is in present command of the revenues upholding its market price, the results of the *ad valorem* tax do not seriously depart from those attending a direct appropriation of the rent.<sup>1</sup>

<sup>1</sup> Nevertheless extreme absurdities and impracticabilities, falling still something short of mathematical impossibilities, forbid reaching by *ad valorem* methods any considerable fraction of the earning power of the property.

Suppose, for example, that a piece of property, by virtue of its net annual revenue of \$50, bears a market price of \$1,000. Each new tax, changing the net return to the owner, must change the market price. Thus, if \$10 is to be obtained for the fisc out of the revenue attaching to the land, the land, as retaining a net earning power of \$40, will be worth \$800. The rate of taxation necessary to get the \$10 is not 1 per cent, but  $1\frac{1}{4}$  per cent, else the land will stand upon the tax books as over-appraised to the extent of \$200. This may not be a serious matter; is not, indeed, serious in the ordinary *ad valorem* collection of approximately one fifth of an income. But see how the case ap-

But in the degree that prospective changes in earning power find expression in a present worth of market price, it is practically disastrous and theoretically inept to make the present value the basis or the determinant of the present contribution to the public treasury. For the purposes of the single tax program the ad valorem policy is singularly inappropriate; not so much that to take the rent leaves, so far, no value to tax—saws off on the hither side the limb on which one is sitting—as that it strikes at the very heart of the equities involved. After society has taxed for years a town lot not yet within the area of practicable improvement, but yet valuable by its prospect of availability—has collected from the owner annually as the years have passed, say, 1 per cent of the present worth of the expectation that the owner will finally enter into the enjoyment of the income—is it not clear that society has foreclosed itself from later asserting its right to appropriate these revenues entirely? In cases of this sort, ad valorem taxation barter away for present revenue the public right to the future revenue; in substance, hypothecates future resources to obtain present funds. Thus the single tax position amounts not merely to the inequity of intending to repudiate the contract but at the same time to the absurdity of the present announcement of this intention.

But not only does the single taxer's plan of burdening the pres-  
 appears with the single taxer's attempt to pursue the method to the extent of his ultimate purpose:

										Per cent
With \$20 taken and \$30 left, price is \$600; rate to yield \$20 is										3 $\frac{1}{3}$
" 30 " " 20 " " " 400 " " " 30 " "										7 $\frac{1}{2}$
" 40 " " 10 " " " 200 " " " 40 " "										20
" 45 " " 5 " " " 100 " " " 45 " "										45
" 46 " " 4 " " " 80 " " " 46 " "										59 $\frac{1}{2}$
" 47 " " 3 " " " 60 " " " 47 " "										78 $\frac{1}{3}$
" 48 " " 2 " " " 40 " " " 48 " "										120
" 49 " " 1 " " " 20 " " " 49 " "										245
" 49.50 " " .50 " " " 10 " " " 49.50 " "										495
" 49.75 " " .25 " " " 5 " " " 49.75 " "										995
" 49.99 " " .01 " " " .20 " " " 49.99 " "										24,995

This, by the way, is an opportune time to confess the error in an earlier assertion of mine that this ad valorem method can avail to appropriate at the outside limit only one half of the annual rental. This blunder was cogently exposed by Professor Edgar H. Johnson in the *Quarterly Journal of Economics* of August, 1910. That I never replied was due to the fact that I could not. Conceivably, indeed, I suppose, there might be a case with even a better reason. Mr. Johnson's article, however, was in tone and temper entirely cordial and courteous. He merely had me cornered—and still has.

ent shadow of the future income, at the same time with intending to appropriate this same income when it accrues, amount to an attempt to enjoy two taxes where only one can possibly be equitable (either of which, in fact, both by the test of justice and by the working of economic forces, must replace the other), but also from a theoretical point of view gets into even a worse case: the taxation of a present worth in the absence of a present income, or any taxation disproportionate to present income, is an affront to the fundamental principle of taxation in general.

When shall the individual contribute to the public income for the maintenance of public activities? When he has some income to contribute. From what sources shall society's current expenses be financed? From society's current productive power, the social income. Taxation is merely a method of redistributing the applications of the productive powers of society to the creation of a wider variety of goods—more of some, the goods of public providing, less of the goods of private production; it is a transfer of private income to the state in order to provide more goods of security or education, in place, say, of butcher's meat or of the entertainment provided by the movie show. To tax at present an income which does not exist at present, and thus to support the current state expenditure at the cost of future productive activity, is a fiscal improvidence similar to that of two centuries ago when the English government permitted the owners of lands to purchase for cash a perpetual exemption from imperial taxes. Carried far enough this kind of fiscal policy would mean that a government had sold itself unto death through encumbering its expected revenues in aid of immediate receipts.

Current revenue is the only proper object of current taxation, as is frankly recognized in both the theory and the practice of income taxation. It is, however, fairly to be said that this single tax fallacy is merely a derivative from the larger theoretical error which vitiates the general property tax as a whole. The blunder merely becomes the more serious as the share of the income aimed at through taxation is larger. In some respects, moreover, the effects are even more serious in their general economic aspects than in the purely fiscal. *Ad valorem* taxation consistently applied amounts to almost an absolute veto on all investments promising remote returns. Present progress in forestry taxation is based upon the recognition that *ad valorem* taxation tends to discourage the growing of new trees precisely as it has prompted

the exhaustion of the accumulated supplies. For the purposes of the present analysis, the planting of trees amounts to the purchase of a deferred annuity through the payment of a series of annual premiums, with only this difference, that the old age provision is a contingent annuity rather than an annuity approximately certain. Computing, then, that the general property tax upon an ordinary property appropriates one fifth of its income, it must follow that a rational tax upon a forest should at the maturity of its particular harvest appropriate one fifth of that harvest. To subject the undertaking to an annual tax is to compel the investor to submit in advance to an interest-bearing encumbrance on his putative future harvest. And precisely so with mines; the tax is a direct incentive to what is socially an untimely and wasteful exploitation.

The extreme of folly in this method of taxation is perhaps best illustrated in the case of a single-payment purchase of an old-age annuity. An outlay of \$1,000 at the age of 30 will provide approximately \$250 at 60 years of age, if the buyer survives to that time, and thereafter the same sum for each successive year for the term of his life.<sup>2</sup> By assumption, here is a property worth \$1,000 immediately upon the purchase of the right. The state claims, say, \$10 in taxes the first year. The purchased right increases in present worth not only by its interest accumulations but by the greater prospect of survival to the end of the tontine period. Each year, therefore, it pays a higher tax; not that it has yet afforded its owner any income or ever certainly will, but that a contract for a contingent future income has an increasing present worth. This annual increase of value is not, in fact, an income but merely the larger present worth of the hope of one day enjoying an income—precisely as the increase in the value of a field of grain as it approaches the time of harvest is not a daily receipt of income but a daily increase in the present worth of the future income. To be sure, if the owner sells in advance of the harvest, he ceases to be an investor in prospective income and the buyer takes his place. A rediscount of the note has occurred, the seller getting the advantage of the interest earned, but not yet due, as the sum of the past increases in the present worth of an income the receipt of which still lies in the future. The income from the field of grain accrues solely at harvest. So again, to tax a provident and wealthy father of a family and at the same time

<sup>2</sup> Mutual Life rates, 3 per cent actuarial basis.

to tax the prospective inheritor of the father's wealth on the basis of the increasing present worth of the hope of the sometime demise of the progenitor, is to make the general property tax a means of rampant extortion and injustice. When present value is merely a present-worth shadow of a future income, this value is a property, it is true, but a property the taxation of which should be postponed by virtue of the very fact that the income is postponed. It is time enough to make an individual income contribute to the general income when there begins to be an individual income.

But it is obvious that from all of this nothing follows more serious than that, as the single taxpayer aims solely to appropriate the rent, he would best do nothing but directly to take it. His indirection of method is unnecessary. His adoption of the principle and the machinery of the ad valorem property tax is a deal worse.

But the single taxpayer may find still other folk for company in his perplexities. If the appropriation of the rent must wait till there be rent to appropriate, what shall be done with the fact that, so long as there is no established policy of appropriation, purchasers must be proceeding in the confidence—or speculating in the hope—that appropriation will never take place? Then, if appropriation finally does take place, there is inevitable disappointment and the charge of confiscation. The rule with taxation is similar to the legal rule: it is even more important to have a clear rule than to have a right one. Precisely this same difficulty presents itself in the regulation of public utility rates, and precisely the same line of treatment is indicated. Nothing will serve but the utmost certainty, promptitude, and consistency of action. With stocks, as with lands, anticipated earnings are capitalized into current market prices and undergo indefinite transfer—a traffic in the substance of things hoped for. To permit undue present earnings is to lead investors to part with their funds in the hope of the continuance of these earnings. To intervene later in order to bring an end to what ought never to have had a beginning amounts to the sudden confiscation of values long generally traded in but now lodged deflated in the hands of those investors least shrewd of political forecast. Thus, where the policy of rate regulation is unsettled, stock prices register the outcome of a great gamble on the very question of what this policy is going to be. When faith in public drowsiness flourishes,

or when confidence grows that adverse legislation can be controlled, stocks rise; when public opinion stirs, or some truculent executive gets especially strenuous, there befalls a stock panic. Financial and industrial stability come to be dependent not merely on the confidence, but on the justified confidence, that never will society actually arrive at the refusal to be further plundered.

But no advocate of the restriction of corporate gains has so far ever argued that his purpose could be accomplished through any early or late application of the ad valorem tax. If an exclusive privilege or a permit of overcharge increases earnings by \$50,000, the property goes up by \$1,000,000 in price. To subject this increment of price to a 1 per cent ad valorem tax is to reclaim only \$10,000 out of \$50,000 overcharge.

With either land rents or with franchise gains, therefore, all increment must be claimed by the state promptly upon its emergence. To anticipate the increment by taxation is nonsense. To delay is to delude investors and thereupon finally to penalize them for being deluded.<sup>3</sup>

The general condemnation—my condemnation also—of the single-tax demand for the confiscation of past increments rests substantially on the conviction that an institutional situation—long established and generally recognized rules of the competitive game—should constitute a social obligation to protect that player who proceeds in conformity with the rule and in reliance on it. If some change needs be made, if a reform is to come, the society that established the institution, rather than the individual who uncritically has acquiesced in it, must bear the costs of getting over to the better way. The principle of vicarious atonement, however acceptable among systems of faith, deserves definite repudiation here. Surely if another will assume my bond, pay my taxes, serve my sentence, discharge my fine, I may make shift somehow to acquiesce. The best place to have a boil has been

<sup>3</sup> The doctrine of vested interest should be recognized in public affairs as the expression of the principle known in legal reasoning as the doctrine of estoppel. It was substantially under this doctrine, applied against the public, that overcharge rates were sustained in the famous Consolidated Gas Company case. By acts of commission certainly, if not by acts of omission, the public may cut itself off from the right to protect itself against an entirely obvious plundering. Privileges of overcharge may become irrevocable under conditions falling far short of the obligation of contract. Perhaps, indeed, the rationale of the obligation of contract itself is ultimately this same principle of estoppel, the creation of a justified belief or expectation which it would be unethical to disappoint.

wisely declared to be on some one else. But justice does not necessarily impose what self-seeking might approve. Confiscation remains none the less robbery, if there is such a thing anywhere, even though the title of the first holder were achieved through an obvious crime and the first authorized transfer were an authorized wrong. To justify confiscation by pointing to the emancipation of the slaves in America merely serves to put in question the ethics of emancipation. The English had already recognized the plain moral dictate of indemnity—a dictate none the less plain for us in America that it was later disregarded in the exigencies or the barbarities of war.

Viewed in the large, doubtless, land is human opportunity rather than human achievement, primary equipment rather than product. The single taxer insists, and rightly and wisely I again agree, that most or all of this original bounty should have been held as a joint possession and heritage among men, in equal and common right, to the end that, so far forth, there be always for all men an equality of opportunity. The fiscal requirements of society, the expenses of the joint community life, should be to the utmost possibility covered by the payments into the common treasury of the funds derived as rent from the social estates. Under competitive institutions this appears, indeed, to be the only practicable way of validating the principle of common property. Since we do not as a community farm the land, or live on it, or mine it, or hunt over it, the only socialization practicable is the socialization of the competitive return. In theory, indeed, the single taxer of the strict observance would permit no other sort of socialization. He is an individualist of the most radical type, even to the degree of questioning the strict ethical propriety of the social appropriation of any income due to individual activity. Accurately, therefore, he should profess himself not as a believer in taxation but rather as a contemner of all taxation. He intends an untaxed society. The right of society to the rent of the land he holds to be fundamentally conditioned on the fact that no individual can make good any claim in his own behalf. In ultimate doctrine this no-tax advocate is the direct antithesis of the socialist—finding social property justified only where individual property cannot be supported. So far, indeed, is he an individualist that even the working of the social estates he will leave to competition, socializing only the receipt of the rent. Nor even in the collection of the rent is he willing to make the state a land-

lord; he aims, indeed, at the appropriation of the rent by methods which shall preserve the essential features of private property and the incentives and guarantees of private husbandry—cultivating ownership. Tenant cultivation he regards, in truth, as one of the especially evil aspects of the present system. The privilege of cultivating land should not be confined to those wealthy enough to buy it, or depend later on their consent. Thus, while the socialist finds no individual production nor the ethical necessity of individual ownership anywhere, the single taxer finds nowhere any righteous type of property which is not upheld by the title of individual productive effort. With opportunity equalized, whatever any one produces in his competitions with others is ethically to be accounted his own production. If opportunity is an actual auxiliary in the process, all his fellows have equal access to it and share in it. Thus, the single taxer socializes land—after his peculiar methods—not because he is a socialist but because he is not. It is only the principle of individualism that finds a peculiar ethical right and duty to socialize treasure trove, jetsam and flotsam, and estates without heirs.

Not altogether irrelevant, therefore, is the objection to the single tax policy that the revenues which it would make the exclusive support of the fisc may turn out inadequate. But the single taxer's confidence that the revenue would be adequate does not require justification as hope or demonstration as accomplishment in order to prescribe that, before other sources of revenue are exploited, this be made to render its utmost return. Harsh necessity may enforce resort to other devices; but for none of these can he discover so clear an ethical warrant or any unquestionable warrant. His tax need logically be unique only on the condition that it is adequate.

But that so many of the contentions of the single taxers are acceptable can avail to approve their program only so far as it is a forward-looking policy. It does not follow as just that society shall now proceed to do what society admittedly ought once to have done, but did not then do; that the penalties of delay shall be visited not upon society as a whole, to which as a whole has attached the responsibility of delay, but, instead, on whatever individuals, after centuries of free and active trading, happen now to be the actual proprietors. It was society that imposed buying as the condition of independent exploitation, offering nowhere to any individual the permission of control under high exactions in favor

of the state. If it be indeed true that this fiscal reform is of transcendent importance—I myself believe it to be wise—let it speedily come. But never a great reform need come after this wise, unless by the fact that those who so greatly want it want it only on terms that others pay for it. Doubtless it is true that under the stress of war the state may force some men to death upon the firing line for the general good, though the jurisdiction of the majority for this purpose and to this extremity may be hard to establish. But fiscal reform can come, if it be worth the price, without this hit-or-miss selection of scapegoats. The minimum social sacrifice does not prescribe or permit the expropriation of the few, but only the spreading of the burden widely, as the theory of insurance should easily suffice to prove. Largely viewed, land may be and doubtless is a bounty of nature, whatever that may mean. But to its actual present owner it represents something quite other, a property into which have flowed income and savings of indefinitely various sources—most of them forms of wealth about which the single taxpayer draws his sacred circle. He holds that the unearned gains were the good fortune of the earlier holders who escaped their doom by selling to me or to you—gains which have undergone investment and reinvestment into houses, herds, factories, libraries, merchandise, steamships, and are now safe in their inviolability, buttressed about by utmost sanctities, certified to as properties assured against public claim no matter into whose hands they have fallen—thief, beggar, or prostitute. And all this by the sole fact that somewhere back in the chain of title there was a holder whose claim was ethically worthy of public approval, he having brought this wealth into being. And thus, by force of his original merit, somehow inexplicably attached to the property, all later owners are rendered safe. Thereby is justice construed as relative not to persons but to properties. Originally it was personal, to be sure, but later it became somehow appurtenant to things. It is the kind of property that a buyer purchases, not the source of the funds with which he purchases, that determines whether he shall be protected, even were these funds representative of earlier gains through unearned increments. But selling any possible sort of property, no matter what or when the fish he has caught, or the grain he has grown, or the cloth he has woven, or the house he has builded, let him beware what things he shall now buy with these funds of unquestioned title. If his righteous earnings go into land, society

may any day dispossess him. And likewise let later investors beware; if they buy from him this land over which the sword has hung suspended but has not yet fallen, he shall go away safe with the proceeds and they shall become subject to the menacing confiscation—shall fall into this pit of calamity contrived and set by society for the trapping of the unwary. Not only shall no man henceforth obtain further gains of unearned increment, but, buying now, any man may forfeit all of his earlier accumulations, no matter whence he had them. That fortunate man, however, who has already cashed in his objectionable gains shall be forever safe, resting in the vestments and odor of sanctity, if only he be wise enough to extend no further his operations in unearned increments. And under similar limitations he may pass along to any later vendee this same age-long immunity, he and they forever sheltered under the merit of an original impeccable possessor. But those men to whom the gainer through unearned increment shall sell, shall indemnify society for the titles it alienated, making good to it the gains of all preceding title-holders, settling in full the score of the centuries. Thus it appears to be a sheer error that holds guilt to be personal. Instead, it is solely an attribute of things, and is of the general character of magic and taboo, houses that are haunted and ass-skins that are accursed. And thus the naïve childlike fancies of a primitive age survive to make ridiculous the policies of a great reform.

Not less faulty in logic, if not quite so closely akin to the animism of primitive superstition, is the commonplace objection to the public retention of all kinds of ground rent: that unearned increments in society are many, land increments only one out of a larger class, and that therefore it is unjust and indefensible to prohibit this one, while leaving the others to flourish. And thus it appears again that justice, equally with merit or crime, inheres in the relations of things. And yet it must be clear that whatever is accomplished towards the elimination of privilege and the equalization of opportunity is so far good. Remedy must begin with something; it is well to do the next thing next, especially if this next thing be the most important and the least difficult thing. Burglary need not be continued or highway robbery tolerated, awaiting the time that murder or counterfeiting shall be no more. No crime, or better no criminal, may claim to go free till all other malefactors are jailed—a vested right in one's particular graft or iniquity.

Not much more respectable is the theory that, if unearned increments are to be claimed by the state, unearned decrements must be made good—say, for example, that if you be denied gain on your little speculation, I must be repaid the loss on mine. At any rate, it must be obvious that, if there is to be no gain for speculative operators, there will be no speculators. To retain the land rent for society, whatever and whenever it may be, is so far to leave nothing to invest in or to gamble about or to lose by—an illustration of the ancient truth that, if you will sit always on the ground, you can never fall off.

Little more to the purpose are the objections: (1) that the single tax violates the principle that burden should conform to capacity, and (2) that it provides no fiscal elasticity. But if the revenues are merely prices for the use of special advantages attaching to exceptional opportunity—a device to establish equality where else there would exist differential advantage—and are in ultimate theory not taxes at all but methods of making taxation unnecessary, the rule of capacity as an ethical guide becomes inapplicable, because irrelevant. It is even more important that revenues be stable than flexible. If in the long average these regalia revenues are adequate, deficit financeering will take care of any temporary stress; if they are inadequate, such supplements as must be sought will easily provide the elasticity.

The foregoing discussions, however, are intended merely to clear the ground for other issues, some of them appreciably more difficult and all of them more distinctly technical in character.

#### *Will single tax burdens shift?*

Advocates and opponents concur in the belief that they will not. As shifting, the single taxer would not desire the tax or the opponents object to it. It would be merely another indirect tax.

The theory for the case is clear. Taxes shift only through changes in market price. If the tax affect neither demand nor supply, it must be neutral as to prices. Only because, when hat factories are taxed, there will result a diminished supply of factories and forthwith of hats, is the tax a shifting tax—the hats higher priced to buyers. If a tax on land leaves the land supply unchanged, it will leave the volume of products unchanged and their prices unchanged. There is no way directly or indirectly whereby the rent should be affected or the price of products modified.

So runs the authoritative Ricardian doctrine. And in the large, doubtless, it is correct; and, for urban lands, accurate almost beyond criticism. It is not, however, quite so satisfactory in its applications to agricultural land. With urban land, certainly, there can be no response of supply to changes in burden. The lands will neither be more if taxes are low or less if taxes are high. It is a matter of mere superficialities, a geographical or surveying fact. Not so, however, with the fertility aspects of agricultural land. As hat factories will not be built excepting to the degree that the higher taxes can be collected from consumers, or must, under the same limitations, be allowed to go to decay for lack of renewals and upkeep, precisely so will the fertility of the land—quite as easily worn out or renewed—be affected by any exceptionally severe treatment at the hands of the fisc. It is only position rents that really conform to the Ricardian description of the “original and indestructible powers of the soil.” The skinning of land, the mining of its fertility, is as commonplace a fact as the digging of peat or the mining of coal.

The theoretical merits or demerits of the single tax will, therefore, be best examined in connection with urban conditions or with situations requiring substantially the same analysis. Whatever be the truth as to agricultural rents, they are a very minor matter in the problem. The ground values of New York City outrun in appraisal all the real estate of the country, inclusive of improvements, west of the Mississippi.

*Agricultural technique, transportation, and rent.*

It is, in fact, precisely the enormous increase in urban rents that leaves safe Henry George's argument that improvements in transportation and improvements in the arts of production, together with all influences of progress in general, make for the growth of ground rent. The Ricardian analysis, with its tacit assumption of a practically inflexible per capita consumption of food and of raw material in general, leads inevitably to the conclusion that improvements in transportation and improvements in agricultural methods work to diminish rather than to increase agricultural rent. I have elsewhere shown how hazardous for any purpose, with the facts at present available, is the entire economic analysis of these rural land rent tendencies. Agricultural improvements tend to reduce the rural population and probably, though inappreciably, to lower agricultural rents<sup>4</sup> as a world total.

<sup>4</sup> See my *Economics of Enterprise*, p. 455.

Quite other, however, and astonishingly divergent in point of degree, is the trend of modern forces towards the increase of urban rents and urban prices—site values, terminal values, franchise values. The errors of analysis on either side of the present controversy with regard to rural land need not further seriously concern us.

*Will urban ground rents be lowered?*

Clearly not, for precisely the same reasons that they can neither be increased nor shifted—unless in a relatively inappreciable degree as the effect of certain minor influences yet to be taken into account. The single tax program intends merely a change in the recipients of the rent, substantially a new landlord, the state, rather than a change in the earning power of the land. There is so far, then, no justification for the propagandist assertion that wage receipts will be advanced, the incomes of cultivators augmented, or house rents lowered. The main significance of the change sums up in making the landed proprietors pay the taxes in place of the wage-earners, the cultivators, the tenants and the consumers, who before have done most of the paying. So much as this, however, should reasonably well fulfill the aspirations of any single taxer. Taxes in the United States run at something like \$85 per bread-winner.

Some small effect on interest rates and thereby some effect on the prices of durable goods might be experienced. The range of investment for fluid funds must contract to the extent that lands either disappear or diminish as possible lines of investment, employing no new funds or a smaller volume of funds. On the other hand, the wider range of untaxed investment, *e.g.*, in plant and improvements, should employ a larger volume of funds and employ these funds on terms of a much larger contribution to the economic output of goods. Interest rates should in the balance somewhat advance.

*Prices to consumers.*

That the effects upon consumers must be approximately nil will become increasingly evident with a more careful attention to the fundamental principles of the shifting process. No tax ever shifts, be it repeated, excepting through changes in market prices; no price can change excepting through modifications in demand or in

supply. There is obviously nothing in the situation to affect seriously the volume of consumer's demand; nothing again to affect the supply of land—urban land, note again—position utilities; therefore no possibility of higher rents to tenants; no room for the recouping of these rents from consumers, even could they be imposed; no new opening for the landlords to organize for the joint protection; no owner who is now disposed or could ever have been disposed to forego his rent for the benefit of other owners; no single item of land before worth occupancy that can now wisely be abandoned; no item that before was not worth occupancy that could now be gainfully improved. An acre or area tax might retire items of supply at or near the margin of occupation. But the appropriation of a fraction of the rent or a percentage tax upon the selling price will prompt the abandonment of no single piece of land; any percentage of nothing, no matter how high, can be no appreciable burden. Only those production goods the supply of which will be modified by the imposition of a tax can present the phenomenon of shifting; a shifting which, should it occur, must be in part at the cost of the consumer and in part at the cost of the complementary productive factors. Taxes on position rents or values cannot shift, precisely because space remains a constant.

*Speculation as retarding improvement.*

In the main, however, the foregoing analysis should rouse no protest from any instructed single taxer. He defers to no one in his loyalty to the Ricardian analysis; going so far, indeed, as to accept the Ricardian error that declares fertility taxes to be non-shifting. It is solely by discouraging land speculation and the attendant speculative withholding of land from use that he looks for higher wages or lower prices. True, the earth is still no larger nor the lands encircling the city more in area, but the supply of land available for use must be larger when once the speculators have been compelled to let go. The single tax, as he insists, will bring it about that they will let go.

I believe this contention to be entirely valid for whatever there is in it. Speculators are an appreciable influence in creating land scarcity—only that this influence is not much more than appreciable, so far at least as rural lands are concerned. In cities, speculation avails for something more, though even in the city it is, in the main, not the activities of speculation but the presence of

a speculative situation that must be held responsible for most of the vacant land. Of agricultural lands in speculative ownership there is an enormous area; but of this land there is little that is held idle, and this little itself near to the extensive margin of cultivation, on the outer fringe of things, where the social waste from the forfeited use is inconsiderable. High priced farming land gets cultivated no matter who owns it; and if not well or providently cultivated, the single taxer should not greatly labor the point; his plan would go far to make this bad condition general.

More serious are the speculative aspects of land holding and land improving in urban centers. So far, clearly, as the outlook for increasing earning power and higher prices tempts a particular class of operators to invest, a class of men with neither the disposition nor the resources for improvement, some land must be retarded in its improvement—those operators who intend a mere gain in price as a return upon investment outbidding the competing offers of the long-run investor. To remove the inducements to speculative purchase by cancelling all prospect of the private enjoyment of whatever rent or increases of rent shall attach to the land, is obviously to exclude this speculative demand.

But even the more clear is it that to fix the tax, whether present or prospective, at anything short of the entire earning power—to leave a shell of individual property and income—is merely to make the gains still greater in proportion to the investment necessary to control them and is to foster the greater speculative activity that goes with operations on margins. Some share of the furious speculation in single tax cities like Vancouver is to be accounted to this influence.

The clue, however, to most of the incredible confusions of the analysis attending the theoretical discussion of the relations between the lure of the unearned increment and the progress of city improvement is to be found in the failure to distinguish between what the speculators are accountable for and what speculative conditions inevitably impose and determine. A host of things have been charged or credited to the speculator, or to the speculation attending land uncertainties, or to the hurry of land seekers, that are due merely to the uncertainties themselves, and would manifest themselves if there were no speculators and no "sooners"—if, even, the state had constituted itself the sole landlord and were everywhere and at all times precise in its appropriation of rental incomes.

The wonder is, then, not that so much of the theoretical discussion so far has on the whole been wrong, though much of it has been so, but that so much more of it has been right—the contestants really not succeeding in joining issues, each chiefly in error in his conviction that the truth which he holds opposes the truth of another.

In the large, however, certain disagreements can be made to look like seriously held differences in fundamental theory. The single taxers are fairly unanimous in the assertion that the effect of the lure of the unearned increment is to retard improvements, especially in cities. Professor A. S. Johnson, on the other hand, holds that, but for the quest of gain through the rise of lands, the American frontier would today be somewhere in Ohio or Indiana, that the state appropriation of land rents works to retard improvements.<sup>5</sup> Professor R. M. Haig reasons as to urban lands that to cut into the unearned increment by higher taxes would stimulate investment.<sup>6</sup> Professor T. S. Adams takes by implication the view of Professor Haig, urging that by accelerating his improvements, in the faith that the rise in the price of land will indemnify the deficit in interest which his untimely improvements occasion, the landowner not only subjects himself to a sacrifice in order to procure the gain from the land, but also renders in return for this gain a *quid pro quo* of service to society through the lower house rents at which the larger supply of house room must find occupants.<sup>7</sup>

The single taxers' views excepted, the general opinion would so far appear to be that whether society takes the increment or leaves it, in either case the processes of improvement are accelerated.

Professor B. M. Anderson, however, offers as a possible basis of compromise the view that, whether or not society shall take the increment or shall leave it, there can be in no slightest degree either stimulus or retardation of improvement.<sup>8</sup>

But no matter how far a perverse ingenuity may succeed in making these authorities appear to disagree, the issues are not clearly joined—the disagreements rather apparent than real. In the main these writers are discussing different things: *e.g.*, the effects (a) of doubt as to what is to happen; (b) of doubt as to the

<sup>5</sup> *Atlantic Monthly*, January, 1914.

<sup>6</sup> *Quarterly Journal of Economics*, vol. XXIX (Aug., 1915), p. 829.

<sup>7</sup> *American Economic Review*, vol. VI (June, 1916), p. 271.

<sup>8</sup> *Quarterly Journal of Economics*, vol. XXVIII (Aug., 1914), p. 811.

extent to which it may happen if it happen at all; (c) of certainty as to that which must happen but has not yet happened; (d) of uncertainty as to the date of fulfillment of this certainty; (e) of speculative activity as to (a), (b), (c), or (d); (f) of the effects of the larger taxes on some one or other of (a), (b), (c), (d), or (e).

So much as this, at any rate, should be fairly clear: if improvements are to be fostered by the single tax, this must take place, in the main, not through subjecting the land to more burden but through imposing less upon the improvements. It is easy to see how building must be more, if this more of building comes to carry with it less penalty of taxes, and how also, with more building, house rents should be lowered. But it is not so easy to see how, merely because the tax is greater on the land but no less upon the house, there should come about more houses. There is nothing in this to make building cheaper, or land more plenty, or the burden less that goes with the utilization of the land. Nor is there any way through improving the land to diminish the burden attaching to the ownership of it. Funds will be invested in improving land whenever the return is large enough to justify their use. Precisely what the land tax has to do with the case it is difficult to see. With the tax cutting into the net return of the land whenever it comes to yield its return, or making greater the burden of holding it till the time when it will yield its return, the price at which an investor would buy the land, or a holder be willing to sell it, must fall by an amount to express the present worth of the increased tax. But all this has nothing to do with the question of when an improvement will pay such a return as to justify the making of it. The tax is a loss against which nothing will avail as escape—selling, building, or holding. It is just so much less that the land will earn, no matter who uses it, or when, and therefore a definite reduction in its present worth whether for sale or improvement or holding. This I take to be the substance of Professor Anderson's argument—a cogent and irrefutable argument for the purposes of his problem—the significance of the greater tax burden upon lands or rents, but not at all the significance of prospective changes in these rents.<sup>9</sup>

<sup>9</sup> He does, however, actually deny any significance to these rental changes. "That the increment, which is a constant factor whether the land is built upon or not, should have any influence on a decision to build or not to build, is, on the face of it, impossible. . . . If the tax is a constant factor, whether the land is built upon or not, in what way could it affect the decision to build? A

Nevertheless the truth may be that the first and the immediate and temporary effect of the inauguration of the heavier tax would be to start improvements. Were the tax so thoroughgoing as to eliminate the speculative class entirely, or even a tax so burdensome as, by crippling their marginal unpreparedness, to compel any considerable part of them to let go, the lands must pass into the hands of a different set of owners, men with different policies and purposes of handling, previously outbid by the speculators but now permitted to buy at prices fitting their purposes and expressive of the present worth to them of the future earning powers as they estimate them for purposes of improvement. The fall in price would therefore be somewhat greater than the ordinary theories of capitalization would indicate. The owners are now a building variety of owners—the property now offering itself at prices adapted to their estimates of a wise building policy. There is clearly room here, in this redistribution of proprietorships, for a temporary acceleration of building.<sup>10</sup>

But with the period of readjustment completed, the capitalization process will have digested any increase of taxes into lower prices—a capitalization process, however, now conducted, on the

special tax on unoccupied land alone would cause more building, but factors which are constant regardless of the decision do not count among the pros and cons. It should be added, however, that since buildings are, under our general property tax, in fact more heavily taxed than most other forms of capital, an application of the single tax would relieve buildings of a disproportionate burden, and so somewhat stimulate building at the expense of other forms of enterprise" (*op. cit.*, p. 813).

<sup>10</sup> Possibly also a tax newly imposed and catching unprepared holders who have purchased not for resale but for later improvement, in the expectation of moderate *ad interim* burdens, men to whom still the land is worth more for use than they could have for it by selling it, men who come now in presence of the problem of whether it be wiser to build forthwith than to wait—it is possible that these men, trapped in mid-process, may some of them build earlier because of the tax. If so, these are men to whom their enhanced *ad interim* costs are exceptionally severe burdens and who would therefore have been outbid by the demand prices of other men, had this larger tax been in clear and definite prospect.

But as to the truth of the case in this particular regard, I confess myself much in doubt. When one of these owners builds, he must have the extra ground tax still to pay—his annual cost, say, \$50 higher as occupant than he had expected. But he has no way to evade; must sell at a reduction which capitalizes the loss, or must hold under the same sum of increased burden, or must build still subject to this same larger tax. Thus there seems to be no change in the differential attractions of building and not building, each alternative merely shrinking \$50 in its net volume of service.

demand side, by builders less optimistic than were the speculators as to the prospective gains in the price or in the earnings of the land. The only substantial change therefore must accrue through the elimination of the speculative operators—assuming all the while, of course, the sort of tax that would entirely eliminate them.

But it still remains true, as the single taxer asserts, that the effect of speculation in city lots is to hold vacant a considerable body of property that the building investor might otherwise have utilized earlier. The scattering and sprawling growth of a growing city is in the main due to the fact that the city *is* growing and that many properties are being wisely held vacant waiting for the time to arrive when the appropriate improvement will justify itself as a long-time investment. Different men judge differently as to the appropriate time as well as to the appropriate degree of investment. The fact, however, that many buyers purchase with the sole purpose not of improving but of selling at higher prices to those who will improve, holding in the belief that the rate of increase in the selling price will afford an attractive return, not merely attaches to much of the property prices unattractive to building investors, but, by what amounts to a temporary restriction of supply of property, compels some investors to move farther out, if they are to make improvements at all. These speculative activities have therefore some bearing to accentuate the straggling growth of the city, to make ground rents higher, and to impose serious municipal wastes in the supply of street, sidewalk, water, light, and sewer services.

But it must be obvious that this general argument—impregnable as I believe it to be—with regard to the effect of the larger tax, has nothing to say as to how far the restriction of improvements may be due to an existing uncertainty as to the amount of improvement which will turn out later to be best adapted to the land, or as to the kind of use for which the land will later come to be sought. Either retardation or acceleration may result from the various possible estimates of these future uses or earning powers. If, for example, it seems probable—but not certain—that next year a viaduct or a bridge will make accessible my pasture tract yonder, I shall wisely decide to postpone the erection of a barn till I know definitely what is to happen and when—perhaps, therefore, till the thing has really happened. Cancel my hopes, and up will go my barn. Confirm them, and I may forthwith begin my laying of sidewalks, planting of trees, grading of

streets. Or, on the other hand, I may still decline to move in any direction till I make out whether these lands may not be marketable for terminal purposes or manufacturing sites. Or again, having settled in my mind that the uses are to be residential and that I myself shall finally do the building, I may still hesitate greatly and delay long as to whether I shall the more wisely build cheaply or dearly—balancing the chance of having to rebuild on such a higher scale of expensiveness as shall better fit the ultimate market, as against the danger of loss by making my improvements even more expensive than the prospective demand will turn out to justify.

These effects of speculative conditions—not of speculative operations and not of the pressure of taxes—are especially evident in certain quarters of growing cities, as, for example, upon South State Street, in Chicago, where midway between the established center of trade and the nearby decent and decaying resident sections, persist in shaky survival several blocks of cheap buildings, starved of upkeep, tenanted by saloons; cheap restaurants, peep-shows, catch-penny enterprises, museums of anatomy, and whatever other cover of varied iniquity the city authorities will overlook. These are typical slums in typical locations. Why are not the shacks removed? They pay satisfactorily enough, in view of the fact that the time has not yet arrived for building anything better. But even now something far better would pay, if only it were yet certain how good it must be to pay best in the long run. But fairly certain is it that the sort of building which ten years hence ought to be there must for several years afford inadequate returns—an extreme misfit for the intervening time. It is wise to wait. But equally certain is it that whenever the time does come to act, the building must be projected somewhat beyond the justification of the immediate demand. Delay is certain, for a time; and not less certain, at the proper time, is the acceleration. No tax would appreciably affect the problem. The same influences, now of retardation and now of acceleration, would be present and in full force no matter even were the state a rack-rent landlord, or were the sites available only as leased land or on terms of perpetual ground rents.

It seems, indeed, quite clear that no one improves in order to reap the advantages of rising prices or rising rents, in the sense that, as Adams and others argue, the landowner looks to the appreciation of the land to make good his losses on his building. To build is the only way to utilize the earning power of the land.

Whenever one builds he does it in the way which will afford the best return upon his building investment. In accomplishing this he must recognize that the investment in improvements must be duly proportioned to the investment in land—that to get a high earning power out of land, high-cost improvements must go with it, and that, when the earning power of the land is changing, any improvement that fits it at any one time must turn out a misfit for the later time. His only resource is to make the best compromise possible between the long-time and the short-time adaptation. So far as he goes in emphasis of the long-time aspect, he does this in the faith not that he will get a rise in price to offset his loss in building, but that this is the only way to achieve the maximum return on his entire investment. The increasing earning power of land advises a more expensive improvement in the present. Whenever he builds he must plan in view not only of immediate return but of the later higher return, making such allowance as he may for the uncertainties of the future. But the earlier he builds, the more cheaply he must build; the later, the more expensively. Were the prospect one rather of retrogression than of progress, as, for example, in a currently prosperous placer-mining camp, the buildings must be cheaper than the immediate demand justifies, in partial adjustment to a later period when they must correspondingly overrun.

When the prospects are speculative equally in the directions of rising and of falling income power, so much the more do the improvements vary in retardation or acceleration according to individual estimates of ultimate adjustments. Weighing as best he may in his estimate of present worths the difference between belief and certainty, each holder enters into a hazard of putative future incomes—his investment in excess of the purchase price of the lot being a more or less irrevocable adventure in building costs. The degree of hazard in this adventure is affected by the nature and the degree of the various chances involved.

I do therefore agree with the single taxers that speculation in some measure restricts the supply of land, that in some fraction of its many effects it works to retard improvement. I agree also with Anderson that the taxes have nothing appreciable to do with the case; but I nevertheless insist that prospective changes in earning power have much to do with it. I agree with both Haig and Adams that prospective increases in earning power do, in some share of their many effects, appreciably stimulate building

operations—insisting, however, that an obverse sort of stimulation would attend a prospective fall in earning power; that the amount of the tax imposed upon the land would have little to do with it; the effort to reduce to personal gain the unearned increment nothing to do with it.

And, finally, I agree with Johnson that the lure of unearned increment has been a continuous incentive to pioneering, even though speculative operations in the premises have been, as the single taxer rightly asserts, an incubus on the activities both of pioneering and of exploitation. But I hold that Johnson's deduction is in point of degree a gross exaggeration. The lure of increment merely induces a fringe of pioneering "sooners," some tens of miles in advance of the extensive margin of purely agricultural enterprise. It is a sort of twilight zone, a No Man's Land, an area of adumbration along the frontier margin, attending this margin as the shadow the subject, not directing or placing or determining it. That my shadow is some feet west of me at each moment of the forenoon does not indicate that by noon it will have preceded me into the next county. It is merely true that without the inducement of the prospective rise of land incomes and land prices, the American frontier would for all of our history have been some fifty or a hundred miles in the rear of where it actually has been.<sup>11</sup>

But all this is entirely aside from the question of whether it might not have been as well or better that the frontier should now be in Ohio. It is not obvious that the rapid preëempting of government land, to the point that now the age of free land in the world is mostly past, has been so distinct a blessing. To whom precisely? To you or to me? Or to which one of our landless sons? It must have been rather to that vague retreat of unprecise thinking, the country or society—that gets some good from growing more, or more widely or more thickly: the thinking that discovers, for example, that because this country "owns" the

<sup>11</sup> The policy of land grants to railroads has had, doubtless, larger effect. But, even here, the same principle applies, only that the area of pioneering railroad adventure is often greatly wider, even to the extent of marking out ribbons of narrow occupation entirely across the continent. Extending vertically outward beyond the extensive margin of gainful agriculture on either side of it will always be found the intermediate area of individual adventure in the quest of the lure. It is, however, not so obvious that the land grants to railroads should be declared unearned, or the gains achieved regarded as lacking any social *quid pro quo*.

Philippines, includes more people, and totals more wealth, and therefore can collect and spend more taxes, you or I must be somehow better off; or that it is matter of congratulation to any one but the land grabber that the city or state should grow; or, again, that the death of a few millions of men more or less is an economic loss of, say, \$2,000 each to the survivors, or to the earth, or to society, or to the cosmos, instead of to themselves.

But should not this evident fact that the unearned increment has attracted enterprising men horizontally further forth mean also that it has pushed building adventures higher into the air? Having located cabins deep in the woods or far out on the prairies, why may it not have added further and earlier stories to the skyscrapers? Well, if in order to get title to the city lots, men had to build on them or live on them, such must have been the influence. Or if to hold the business sites, men had also to sit wind-buffed on the cornices of their skyscrapers, thereto they must have climbed and have clingingly, continuously, numbly and coldly sat. It was the fact that men were physically tied to these promises of title, had to occupy their homesteads and preëmptions and work their timber claims, that took these men further out into the wilderness, and held them there; and, being there, they had to work there, since their labor, as different from their investment, had to be done each man in his own presence.

*Are there unearned increments?*

And did not these pioneers pay well in privations, lonesomeness, and danger for all that they got? Verily—but paid to whom? and on terms of what *quid pro quo* of service? Whether the rewards be defended either as moderate indemnity for the privations undergone or as return upon foresight and energy in pushing forward to grasp an offered prize, the question still remains whether the prize was wisely offered. It is the central problem of institutional policy in the economic field to limit and apportion private gain to social service. Neither shrewdness nor wisdom connotes an ethical value or affords secure warrant of rightness or service.

But both Johnson and Adams make much of these privations as being of the nature of services rendered to the state, or to society, or to humanity at large and in general. There need be no question that, inasmuch as the lands were offered on terms of these privations, and inasmuch as the terms and conditions were fulfilled,

there can be nothing now for the case but to abide by the contract—that confiscation here is as immoral as any other variety of robbery. But still again, as institutional policy, what have these privations to do with the case? Was the land placed there by these adventuring geographers? Or retained there by their safe anchoring? Or improved for some one else by their labors—or even for themselves? Or saved from any menacing disintegration or decay? Recall that the purpose of the argument must be to show that it was wise social policy, as a human gain in the large, that these land seekers should be induced to hurry forth and get there first; that in some phase of social accounting these individual privations constituted an inevitable debit incurred in the securing of some greater social gain.

Adams, indeed, takes this position quite uncompromisingly and on distinctly economic grounds rather than as deduced from some vague, conjectural values in the field of sociology or politics or patriotism. Through this pioneering, "Farmers and farms are more numerous, farm products more plentiful and farm [product?] prices lower, because of the unearned increment. The latter is diffused . . . in part to the purchasers of farm products."<sup>12</sup>

<sup>12</sup> *Op. cit.*, p. 279.

But I submit that the net social result of sending men out where "the farmers work for less than day's wages, if we measure his reward in annual income alone," is, so far, to waste the labor of each man. Allowing for the productive energies employed in moving his product from its remote place of growing to the market, the result in terms either of price or of nutriment would have been greater had he remained on the hither side of the extensive margin. If in either case he would have farmed, food is scarcer and dearer for his change of place. If he were an artisan, but now as pioneer turns perforce to amateur agriculture, the loss in some other kind of product, in which the prices are now higher for consumers, must far outweigh the increase in agricultural product. In the form of a mortgage on the future we have been paying the pioneers for wasting their time.

But I do most cordially agree with Professor Adams that the owners of the "much unused and presently unusable land . . . upon which they are willing to pay taxes, only because they expect to reap and benefit by the unearned increment," have really in this way and to this extent rendered a *quid pro quo* to their fellow men—to this extent, therefore, have ethically made good their titles and are receiving increments not unearned but fairly

purchased; though still I question the institutional wisdom in the case.

But from this fact of these various payments Professor Adams deduces an argument in support of the general property tax as fair and just both in principle and in working, as deriving revenues from commendable sources, and as affording generous returns. I should have deduced precisely the opposite conclusion. But in the background of the thought there is evidently a principle on which he and I are in substantial agreement. He is genuinely pleased, as also am I, that some of the unearned increment has thus been intercepted for public purposes; only that he is glad of the particular method, the while that I regret it. Each of us is thus a single taxer in essential spirit.

In the main purpose and emphasis of Adams' article, however, I more than cordially concur. I believe that he has done the science of taxation an immeasurable service in exploding for all time, not the general doctrine of the capitalization of taxes, but a bastard offspring from it—the notion that every purchaser of a property already overtaxed buys unaffected by the general property tax, holds his property quit and free of tax burdens, and may now be called upon, through the imposition of further taxes, to be initiated into the great brotherhood of the duly burdened. Most economists, I believe, have been uncomfortably conscious in their noses of a fallacy somewhere in the near vicinity, but have not been entirely successful in locating it, or in applying the appropriate remedial or preventive formula. Such at all events has been my own case. The doctrinal essentials, however, are easily at hand in a correct notion of what capital is and of how it functions in the capitalization process.<sup>13</sup>

<sup>13</sup> Since this article was submitted and accepted Professor Seligman in the December number of this REVIEW has put in question certain of Adams' positions. Still, however, the ultimate issue appears to turn upon the relation between property taxes and interest rates. The disputants substantially agree that those who buy taxed property get as good bargains at the prices paid as those who buy untaxed property. The prices merely reflect the net incomes in prospect. But Adams—agreeing with Seligman that to reduce a net income is proportionately to reduce the value of its property basis and that there can be, because of the tax, no difference in the rates of return to different investors—yet holds that the very fact of taxation upon property must be ranked as among the influences restricting the net returns from property and thereby restricting interest rates. These tax burdens upon the investors manifest themselves precisely in the fact that they make net incomes dearer, in terms of present purchasing prices. The investor gets less income from his

It must be added that even were it true that the capitalization process would justify the imposition of further taxes as a matter of justice between persons, it would still be disastrous in its effect upon the general welfare. There is no such thing as justice between properties; but it is nevertheless important that investments be by taxation so equally affected in their incomes that the distribution of investment shall not by fiscal policies be fostered in

money. There is a burden, therefore, not precisely on him as the purchaser of property, but rather on him as the holder of funds the earning power of which is restricted through the existence of property taxes.

Seligman, as I interpret him, holds that taxes on property—or, perhaps, taxes on some sorts of property—have no effect to harm investors in other properties. Any purchaser after the tax buys subject to the tax, buys at a price appropriate to the reduced net earning power of the property, and buys on a capitalization rate which is independent of the tax on this property or on other classes of property.

At the logical extreme, therefore, Adams should argue that a property rendering a \$50 income must be worth, on a five per cent basis, \$1,000 as present price; that this property, under a general property tax, would change to, say, a \$40 income discounted on a four per cent basis; that no change in price would occur but only a change in the net earning power of the invested funds. Seligman, on the other hand, should argue that the property would be bought at \$800, its income of \$40 remaining at a five per cent basis upon the new and actual investment price.

So much of this, at any rate, is clear; the rates of return upon different investments cannot be different because of the varying tax burdens on the different properties. All investments must be equally affected, in the sense that all are equally taxed or that none is taxed. Adams says that all are taxed under the guise of the lower interest rates which the imposition of the tax must bring about. Seligman appears to say that all are free from tax by virtue of the purchase of diminished incomes at proportionately diminished prices; smaller investments but unchanged rates.

To assert that in my opinion both disputants are wrong would be an awkward way of formulating my conviction that the entire analysis requires a change of venue, or better, a new method of approach. I should say:

(1) That no property tax, even one so general as to affect all existing properties, would in the slightest affect the interest rates of the market, if only new investment funds and other openings for new investments were left untaxed. Such a tax would amount merely to a *pro tanto* confiscation of the incomes on the burdened properties without in the slightest changing the capitalization rates.

(2) That were the tax only upon new funds for investment or only upon the new properties derivative from the investment of these funds, the capitalization rate would fall approximately *pro tanto* and the previously existing properties would rise in market price without any slightest change in the incomes derivative from them, but with changes solely in the rates of return.

(3) That were the tax imposed upon all properties, old as well as new, the net incomes would fall, and probably, though not certainly, would fall in something like the same proportion with the fall in rates of interest. No

some directions and impeded in others—unless, of course, it be for specific reasons desirable to discourage certain lines of investment.

*Will the single tax congest urban populations?*

Yes and no, depending on what one means by the term; and depending partly, also, on whether the tax be applied locally or generally.

To shift taxation from all other property to land amounts in general to the putting of the tax on what can not move and exempting those things that can stay, go, or come. As between cities, it is a competitive method of bonus or premium. It is equivalent to a general and perpetual tax exemption for all dwellings, factories, equipment and stocks, and for investment in general, other than the land that cannot get away. No more effective competitive device for promoting city growth could be devised, as long as competitors refrain from adopting it—irrespective, of course, of any question of what is the use of it to any one but the landowner.

Vancouver inevitably made a great growth of population and business through it—inevitably attracted thereby an inflow of laborers and industries in structural lines, stimulated therewith a great advance in the rentals of land, and thus inevitably, since the appropriation of rents was only partial, fostered a frantic speculation, which finally, when the slackening building activity threw laborers out of employment and speculation receded, ended great change in present worths would result, with the exception that the less durable of income-bearing properties would suffer relatively less.

(4) That for any purposes of the capitalization analysis, the concepts of property, of capital, or of investment must be so widened as to include not merely all operating funds in rent or other gain-seeking activities, but all the time-using methods or properties in which funds may be expended: all the durable goods like houses, autos, and furniture, which, as affording future incomes, absorb present investment funds; all banking activities and insurance; all lending to state or other consuming borrowers; all outlays in promotion, publicity, salesmanship, organization, speculation; in short, all gain promising or income rendering or income earning employments of money or of banking credit.

If, therefore, Adams is to be interpreted to include new investment funds and new investment properties in his tax, he is right in asserting that the capitalization rates must be affected; and wrong, merely in including previously existing properties as within the causal field. Seligman, also, must be declared to be correct in denying that property taxes necessarily affect interest rates; and wrong, merely if he be interpreted to deny that taxes on new investment funds and new investment properties are also to be regarded as outside the causal field.

in a colossal collapse and liquidation. But the town was there, a much larger town—if it be to any one's purpose to personify and congratulate a town. A partial single tax is a dangerous thing.

But does it congest population? It builds the city higher as well as wider, more people to the acre and more acres. But, essentially, it is not the tax that congests the population, but the growth of the town. With increasing demands and higher prices for shelter, building increases at both the intensive and the extensive margin.

Consider, however, what would be the effect if all towns followed in equal degree and by similar methods the single tax principle. There could be no marked disturbance in the ratio of the total urban to the total rural population or, by assumption, any redistribution of urban population between cities. On the face of it, the sole advantage would appear to be that the land-owners would be compelled to transfer their rent rolls to the state, all other property owners going free. But this process of setting all other property free of tax would also mean the freedom of future improvements. It would for a time amount to a gift to the owners of existing houses with a corresponding stimulus to the supplying of more houses, at lower rates per unit of service. This larger supply of houses could only be achieved through increases both at the intensive and the extensive margins. Building would go higher and extend more widely—more house room for the money and a larger consumption of house room relatively to other goods.

#### *How about the drying up of building loans?*

It has been speciously argued that inasmuch as most building operations are financed through borrowed funds secured primarily and mainly by the ground values, the land tax would mean that the supply of loan capital would be driven out of building enterprises. I confess that for a time this seemed to me cogent and valid reasoning. But see how easy it is open to flank attack, and how disastrously it works for its opponents. I have, say \$1,000,000 and am projecting a building. I must first buy my lot, costing \$1,000,000, and then through the pledge of it procure money, another million, with which to build. But, if I could have the lot on terms of paying the annual rent tax on it, I need borrow nothing. The rents would as well pay the \$40,000 of tax on the land as they would pay the same amount of interest on my building

loan. I am now independent of the loan market. A great argument was this.

The wisdom of the entire exemption of improvements from taxation is obviously tied up with the question of the property tax in general. In the past, under the actual working of the general property tax, improvements have been subjected to especially heavy burdens, investment in buildings therefore relatively retarded, and house room thereby made especially dear. Any remedy to be applied should be carefully guarded against undue emphasis in the opposite direction. No ordinary tax is bad or good unless as part of a system. Investments in improvements should presumably bear the rate of burden common to other lines of wealth that are flexible in supply. In fact, however, most other lines of investment do actually evade the general property tax as well as other state and local burdens. So long as this remains a fact, investments in buildings should wisely be left entirely exempt. Ideally all ordinary incomes, property or other, should participate in contributing to the public revenues—but as incomes, not as property bases of incomes. Nothing can be more unwise than the relative freedom of personal property incomes from public burdens. The personal property tax should disappear only with the disappearance of the property tax in general.

I trust that the necessary limitations of space—occasionally betraying me, I fear, into seeming dogmatisms of statement—may serve at the same time as my excuse, if need there be, for unintentional inadequacies in reporting the positions that I have subjected to criticism or attack. In spirit, at any rate, if not in actual accomplishment, I hold argument to be never rightly a game for victory, or anything more or less or other than always a coöperative investigation. It is a pleasure, therefore, to adopt for my present purposes the following admirable words from the genial and brilliant paper of Professor Adams, against which I have directed certain objections. I also may “have written more dogmatically than I feel, and more emphatically than the rules of polite controversy warrant.” But “if the position taken be unsound, it will bring down surer and swifter retribution, a speedier recognition of the true doctrine.” Not less perhaps for us single taxers of the looser observance than for our fellows of the stricter faith, is it to be desired that we continually exercise ourselves in the amenities of discussion.

H. J. DAVENPORT.

*Cornell University.*

## A RULE FOR TESTING TAX VALUATIONS OF RAILROADS

### I

The difficulty of determining the market value of a railroad for taxation under an ad valorem system is so great that any additional device for testing the fairness of valuation may be of interest. The investigations recorded in this article were conducted with the object of determining whether a mathematical rule could be used to assist in establishing the fairness of valuation.<sup>1</sup> The possible use of any such rule would be limited, but the results would be fairly definite within a certain scope. No attempt is made to set up a rigid and inflexible formula, to be applied to the exclusion of independent judgment. The rule is to be used, rather, to supplement knowledge obtained in a more direct way. The investigations were confined to the roads of one state, Wisconsin, though the rule proposed may be capable of wider application.

Under the law as it stands on the statute books of Wisconsin,<sup>2</sup> railroads pay the true average rate of taxation on the market value of the property—the amount that could be obtained for the property at a sale taking place under normal conditions. There is no need of enlarging upon the difficulties of arriving at the correct value of the property; the defects of the various methods of commercial valuation are too well known to need comment.<sup>3</sup> It is apparent that true value cannot be ascertained by any simple method or rule of thumb. In practice the tax commissioners make estimates independently, and while each one takes into consideration practically the same elements, no two of them give the same weight to any one of the elements.<sup>4</sup>

Conditions are very diverse in the different roads of Wisconsin.

<sup>1</sup> This investigation was undertaken at the suggestion of Professor Thomas S. Adams, formerly of the University of Wisconsin, now of Yale University. The writer is greatly indebted to Professor Adams for help in working out the problem, to Professor Charles J. Bullock, of Harvard University, for assistance in preparing the results for publication, and to Professor E. E. Day, of Harvard, for suggestions of changes in the statistical methods used.

<sup>2</sup> Wisconsin Statutes, 1915, ch. 51.14.

<sup>3</sup> For description of methods of commercial valuation, see Bulletin No. 21, of the U. S. Census Bureau, issued in 1905, *Commercial Valuation of Railway Operating Property in the United States 1904*.

<sup>4</sup> *Report of Minnesota Tax Commission*, 1912, p. 204. Extracts from hearing before Wisconsin Tax Commission, Madison, Wis., Dec. 14, 1911.

The physical valuation made by the engineers places the cost of reproduction of some roads as low as \$10,000, while others are placed at nearly \$100,000,000. There are many lumber railroads in the state along which lumbering operations have practically ceased, but which are still operated because population has centered around the road and there is a demand for a common carrier; yet the profit from operation is small. One road is operated entirely by a man and his son. One electric road is included with steam railroads because freight is transported over the road. Another road owns a ferry and a valuable terminal but practically no mileage in the state. Another has less than forty miles of road in the state, but has a valuable terminal.

The difficulty of arriving at a true estimate of the value of the roads as a whole is illustrated by Figure 1 and Figure 2, in which a comparison is made between the par value of stocks and bonds,<sup>5</sup> the physical valuation (cost of reproduction new), and the tax commission's latest estimate of the value of the road as a unit.

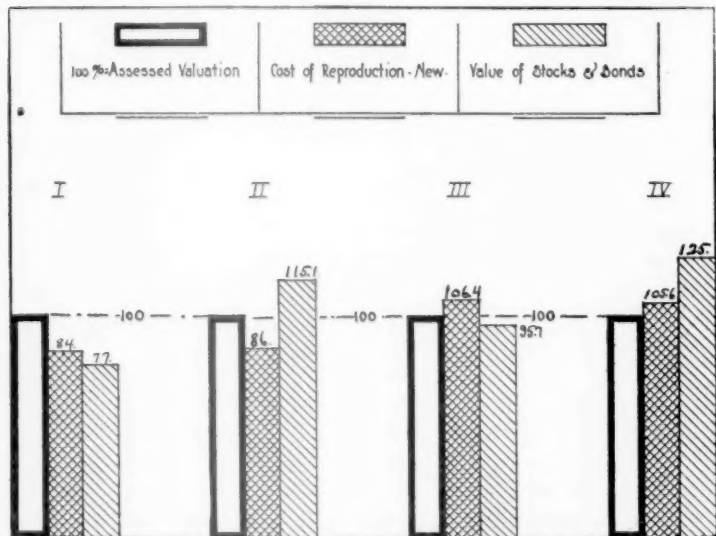


FIGURE 1.—Comparison of the assessed valuation, cost of reproduction new, and par value of stocks and bonds of four typical large roads.

<sup>5</sup> Par value of stocks and bonds is taken, rather than market value of the securities, because par value is obtainable for all roads, large and small, while the market value of the securities of small roads is often unobtainable.

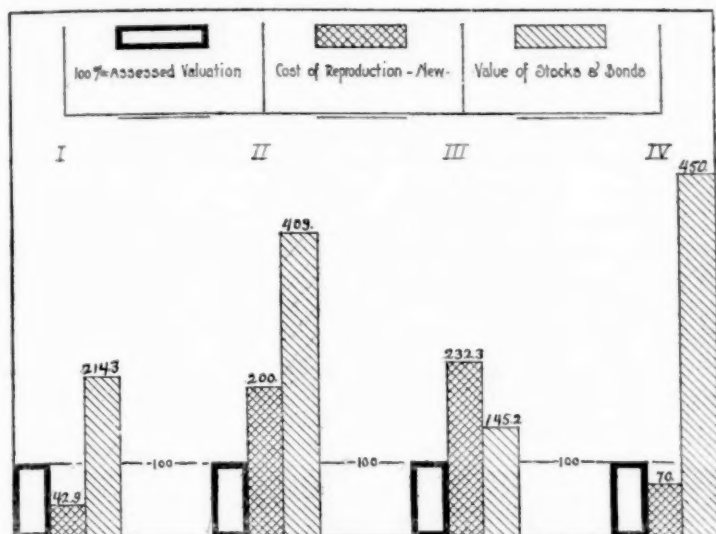


FIGURE 2.—Comparison of the assessed valuation, cost of reproduction new, and par value of stocks and bonds of four typical small roads.

It will be noticed that the several values more nearly correspond in the case of the large roads than in the case of the small roads, indicating that the task of the commissioners is more difficult with the small roads. The task is hard enough in every case, however, and the varying relation between book value, cost of reproduction new, and tax valuation, indicates the difficulty of securing a valuation fair between roads.

Is it possible to formulate a rule, applicable to all the roads, by which relative fairness of valuation, as between the different roads, can be established?

## II

A proposal to formulate such a rule might easily lead to a long discussion of the possibility of an accurate balancing of the different elements of value. The chief purpose of this article, however, is the description of the experimental application of the proposed rule, and it seems better to state the rule as a whole before entering upon a discussion of any of the considerations which led to the adoption of the various steps designated. The rule is:

The comparative fairness of valuation of steam railroads on an ad valorem basis, may be determined in the following way:

1. Divide the roads into groups, combining in each group, as far as possible, roads of like size and similar conditions.

2. Find the total value of each group by adding together the valuations of the individual roads, as fixed by the tax commissioner.

3. Fix upon the chief factors which govern value, and determine the weight which should be assigned to each factor. In the present instance, the factors, and the weights assigned to each, were as follows:

<i>Factors</i>	<i>Weight</i>
1. Gross earnings—average of the five years past.....	20
2. Gross earnings—the year past .....	5
3. Net earnings—average of the five years past.....	50
4. Net earnings—the past year .....	5
5. Physical valuation .....	20

4. Find the percentage each factor forms of the total value of the group. That is, find the percentage of total gross earnings, on a five-year average, of all the roads in a group to the total value of the group; and find similar percentages for the four other factors.

5. Capitalize the gross earnings on a five-year average, and each of the four other factors of value of each road, at the percentage found to be true for the group to which that road belongs.<sup>6</sup>

6. Compute the weighted average of these five capitalized values of each road, weighting each of the five factors as above designated.

7. Determine the percentage of assessed valuation to recapitalized-and-weighted valuation for each road of each group.

8. Calculate the average of such percentages for the roads of each group.

9. Determine, for the roads of each group, the ratios of the individual road percentages to the group average. These ratios, expressed in percentage form, constitute a series of relative numbers, in which figures above 100 indicate relative over-assessment, and figures under 100, relative under-assessment.

<sup>6</sup> It is undoubtedly an incorrect use of the term to speak of "capitalizing" physical value. However, avoidance of the expression would appreciably complicate the statement of the rule. Since the expression is not misleading, its use seems warranted.

## III

The first process proposed in the rule is necessary because the general conditions, such as the character of the territory served, density of traffic, and stability of industries, together with the fact that many of the roads were built to serve a temporary purpose, all tend toward inequality.<sup>7</sup> Consequently, in the present instance, the roads—fifty in number—were divided into eight groups, roads of like size and similar conditions being combined. A brief description of these groups may serve to make clearer the necessity for this part of the rule.

Group I includes the six trunk lines which furnish the main transportation facilities of the state. Two or more of these roads traverse every important section and together they have a mileage of 6608.34 miles out of a total railroad mileage in Wisconsin of 8026.32 miles, or 82 per cent of the mileage of the state. For the purposes of valuation there are no important differences between these roads.

Group II consists of a car ferry company, a bridge company, and two railroads which have only a few miles of road in the state. The situation of these companies is anomalous. The values of all depend on terminal facilities, and so they are grouped together. Mileage possesses little or no significance in the case of any of them.

Group III comprises short bits of line serving very good territory.

Group IV is a collection of roads the majority of which are entirely intrastate. At first glance these roads would seem to be important parts of the transportation system, but they are found to lack something, either in organization or in territory served.

Groups V and VI may well be considered together. All roads in both groups connect with two or more of the roads in Group I, but the roads in Group V have better connections, are about twice as long, on the average, as roads of Group VI, and serve larger towns.

The roads in Group VII each connect with only one of the roads in Group I, generally with the less important branches of those roads, and they serve poor territory.

The roads in Group VIII are almost all lumber railroads, and were built to serve a temporary purpose.

The value per mile, by groups, computed from the valuation

<sup>7</sup> F. W. Taussig, *Principles of Economics*, bk. VII, ch. 61, ¶ 1.

fixed by the tax commission in the year preceding this investigation, will illustrate the wide variation of conditions.

		Average value per mile
Group I	Six roads .....	\$46,650
" II	Three roads and one bridge company.....	247,800
" III	Five roads .....	22,000
" IV	Seven roads .....	11,500
" V	Six roads .....	5,000
" VI	Seven roads .....	3,400
" VII	Nine roads .....	2,600
" VIII	Seven roads .....	1,800

The second process of the rule is simple. The total value of each group is found, in order that the relations which hold good for the group as a whole between value and gross earnings, value and net earnings, and value and physical valuation, may be ascertained. The necessity for this step is clear when we consider the fourth and succeeding processes of the rule.

This brings us to the third process: fix upon the chief factors which govern value, and determine the weight which should be assigned to each factor. The most difficult part of the problem is, not to ascertain which indicators of value are more reliable and which less, but to decide exactly how much importance should be

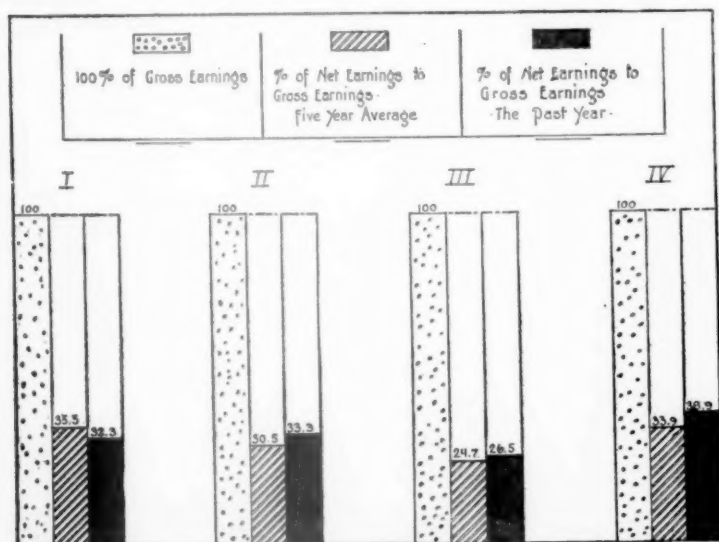


FIGURE 3.—Comparison of the percentage of net to gross earnings, on a five-year average and for the past year, of the four groups of larger roads.

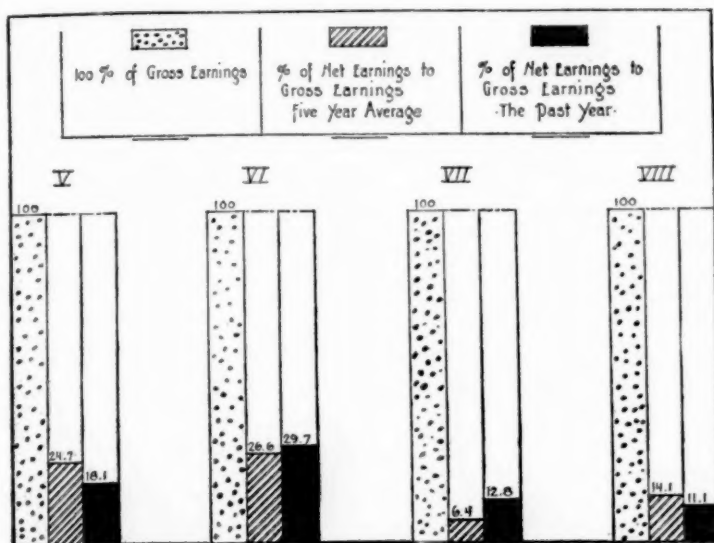


FIGURE 4.—Comparison of the percentage of net to gross earnings, on a five-year average and for the past year, of the four groups of smaller roads.

ascribed to each. It may be well to consider the various factors, not exhaustively, but sufficiently to bring out their relative significance.

It is not safe to use gross earnings as the sole basis, because of the disparity between corporations in the relation of gross earnings to net earnings. The inequalities that would result, if the estimates of value were based solely on gross earnings, are shown by Figure 3 and Figure 4. These diagrams show the per cent of net earnings to gross earnings. The per cent of net to gross declines noticeably from the large to the small roads.

Further, in the case of interstate roads, there is difficulty in apportioning gross earnings between states. How should such apportionment be made? There are many different methods, as, for example, the one which makes use of the traffic mile basis with a study of every waybill. Other bases are the car mile and track mileage. The method adopted may vary according to the result desired.

Several authorities, however, still give gross earnings great prominence in the method of valuation. Mr. Allen Ripley Foote has advocated the following scheme of taxation:<sup>8</sup>

<sup>8</sup> *State and Local Taxation, Second National Conference, 1908, p. 501.*

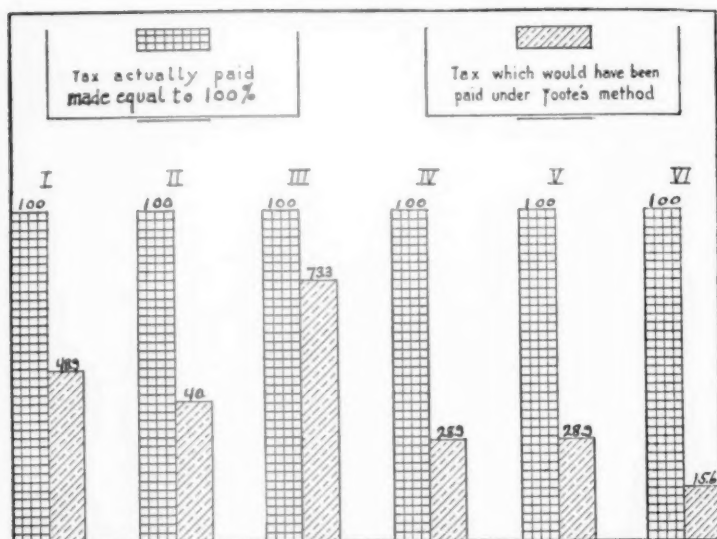


FIGURE 5.—Comparison of the tax which would have been paid, by six of the larger roads, under the method proposed by Mr. A. R. Foote, with the tax actually paid by those roads.

1. Assess a flat rate of 2 per cent on the gross operating revenue of all corporations, regardless of the margin of difference between their total revenue and their total operating expenses. This rate is to be paid by all corporations whose operating expenses are 90 per cent or more of their operating revenue.

2. Add a differential of  $1/16$  of 1 per cent computed on each 1 per cent increase in the margin of difference between total revenue and total operating expenses in excess of 10 per cent.

How does the result of this method of assessment, which places the whole emphasis on one year's earnings, compare with the results obtained by the Tax Commission of Wisconsin? (See Figure 5.) Under Mr. Foote's method a road whose operating expenses, plus taxes, were 74 per cent of operating revenues, would pay a 3 per cent tax on gross earnings. This is only slightly in excess of the rate applied practically by the commission to the least profitable roads of the state.

We may compare also the results of the method of Professor Plehn, of California, with the results of the Wisconsin commissioners' method. By using his formula,<sup>9</sup> Professor Plehn arrives

<sup>9</sup> *State and Local Taxation, First National Conference, 1907*, p. 635; C. C. Plehn, *Taxation of Public Service Corporations*.

at the gross earnings rate equivalent to any given rate of taxation on general property. The formula rests on the assumption that a public service corporation is worth what it can earn at the schedule of rates which it is permitted to charge; and that earnings, in the long run, determine the property values of such corporations. To employ this method it is necessary to know three things: (a) the average ratio of net to gross earnings of the class of corporations in question; (b) the average rate of return which investors receive who purchase corporation securities at market prices; (c) the rate of general property tax on the true valuation. Professor Plehn's formula is: The ratio of net to gross earnings divided by the rate of return to investors multiplied by the rate of the tax on true valuation equals the rate of tax on gross earnings.

The ratio of net to gross earnings of the roads in Group I is 32.3 per cent. Professor Plehn assumes 6 per cent as the average return to investors. The rate of taxation on a true valuation of general property in Wisconsin in 1912 was 1.1832 per cent.<sup>10</sup> Then, applying Professor Plehn's formula, we get:

$$\frac{32.3}{6} \times 1.1832 = 6.37.$$

A tax of 6.37 per cent of the gross earnings of these roads would, therefore, be equivalent to a general property tax on the full valuation.

The ratio of net to gross earnings of the roads in Group VIII is 11.1 per cent.

$$\frac{11.1}{6} \times 1.1832 = 2.19.$$

On these roads a tax of 2.19 per cent of the gross earnings would be equivalent to a general property tax on the true valuation.

Net earnings are a better guide to a true valuation than are gross earnings. Ordinarily, capacity to produce income will be the dominant factor in determining values,<sup>11</sup> but there are reasons why even this significant indicator should not be followed without reserve. There may be untrustworthy or inaccurate bookkeeping. Different forces may be at work in different roads. Prosperous roads may tend to minimize net earnings, while other roads, wish-

<sup>10</sup> *Report of the Tax Commission, Wisconsin, 1914*, p. 16. The investigation was begun in 1912.

<sup>11</sup> Robert H. Whitten, *Valuation of Public Service Corporations*, ch. III, § 50, p. 42.

ing to make a good showing, may exaggerate them. A very unsound condition of some of the roads and extreme disparity of conditions are indicated by a comparison of net earnings with the sums actually paid out for interest and dividends. The small roads pay a very large amount of interest in proportion to earnings, or declare dividends which seem not to be justified. There is little doubt that some roads are paying "dividends" out of capital. (See Figure 6.) Then, too, exclusive taxation of net earnings

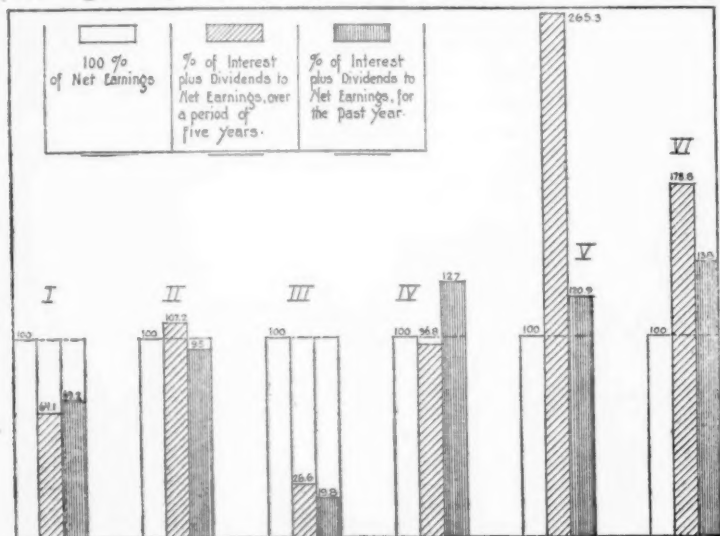


FIGURE 6.—Comparison of interest plus dividends actually paid, over a period of five years and for the past year, of six groups of roads, with 100 per cent of the net earnings of those roads.

would bring about total exemption from taxation in some cases in which taxable value certainly exists.

Physical valuation is not satisfactory as a sole method for the valuation of railroad property. It represents the cost of reproduction new, and a purchaser of one of the lumber railroads of the state would not give anything like the cost of reproduction for a road the value of which had largely departed with the cutting of the timber. Physical valuation is, then, only an aid in determining the market value of the property, possessing great significance in the case of the large and more prosperous roads, but little significance in the case of some of the smaller roads.

The per cent of physical valuation to assessed valuation is greater for the small roads, indicating that they are not earning a fair return on the capital invested. The Wisconsin tax commission fixes a low valuation and the per cent of net earnings to assessed valuation is fair; the per cent of net earnings to capital invested would be a very much smaller sum.

Having considered these various factors of value, it can be asserted confidently that the factor of net earnings over a period of several years is vastly more significant than any other. It is fairly clear also that net earnings over a period of years are more significant than gross earnings and physical valuation. These considerations have governed the weighting of the several factors included in our rule. It is believed that the weights adopted are approximately correct and that, in any case, slight changes will not materially affect the result.

#### IV

Having grouped the roads in the above manner, determined the total valuation of each group, and fixed the factors of value and the weight to be assigned to each, the application of the rule is comparatively simple.

Following out the fourth process of the rule, the percentage of total gross earnings, on a five-year average, of all the roads in a group to the total valuation of the group, was figured; the percentage of total gross earnings for the past year, of all the roads in a group to the total assessed valuation of the group, was computed; and like percentages for net earnings on a five-years average, net earnings for the past year, and physical valuation.

Then the fifth process was performed. The gross earnings, net earnings, and physical valuation of each individual road in the group were capitalized at these various rates. For example, the gross earnings on a five-year average of each road in Group I were capitalized at the rate of 19.07 per cent. Gross earnings for the past year were capitalized at the rate of 20.25 per cent. Net earnings on a five-year average were capitalized at the rate of 6.76 per cent, net earnings for the past year at 6.55 per cent, and physical valuation at the rate of 77.60 per cent.

Carrying out the sixth process of the rule, the capitalized values so obtained were combined in a weighted average, giving the above-mentioned weights to the different factors.

Seventh, the percentage of assessed valuation to recapitalized-

and-weighted valuation, for each road of each group, was determined. It is evident that if the percentage of assessed valuation to recapitalized-and-weighted valuation is the same for all roads of a group, no road is discriminated against. For example, if the assessed valuation is 75 per cent of the recapitalized-and-weighted valuation in each case, then there is fairness between roads.

Eighth, the average of such percentages for the roads of each group, was calculated. This was done in order to secure a standard for the comparison of the percentages of the individual roads.

Ninth, the ratios of the individual road percentages to the group average were determined, for the roads of each group. These ratios, expressed in percentage form, constitute a series of relative numbers, in which figures above 100 indicate relative over-assessment, and figures under 100, relative under-assessment. When we have secured such a series of numbers for each group, we can see at a glance which roads are over-assessed and which under-assessed.

The following figures, which are merely illustrative, and not the actual figures for any group or road, will show how the method was applied. Suppose:

\$500,000,000 = the total tax valuation of the roads (six in number) in any group.

95,350,000 = average annual gross earnings of the group, for the past five years, which equals 19.07 per cent of the tax valuation.

101,250,000 = gross earnings of the group for the past year, which equals 20.25 per cent of the tax valuation.

33,800,000 = average annual net earnings of the group for the past five years, which equals 6.76 per cent of the tax valuation.

32,750,000 = net earnings of the group for the past year, which equals 6.55 per cent of the tax valuation.

388,000,000 = physical valuation of the roads in the group, which equals 77.60 per cent of the tax valuation.

The gross earnings, net earnings, and physical valuation of each individual road were then capitalized at the rate ascertained to hold good for the group as a whole. For example, suppose the following to be true of Road A:

\$100,000,000 = tax valuation.

94,425,000 = value (approximate) obtained by capitalizing the average annual gross earnings for the five years past, \$18,006,854, at the group rate, 19.07 per cent.

93,827,000 = value (approximate) obtained by capitalizing the gross earnings for the past year, \$19,000,000, at the group rate, 20.25 per cent.

96,153,000 = value (approximate) obtained by capitalizing the average net earnings for the past five years, \$6,500,000, at the group rate, 6.76 per cent.

106,870,000 = value (approximate) obtained by capitalizing the net earnings for the past year, \$7,000,000, at the group rate, 6.55 per cent.

87,628,000 = value (approximate) obtained by capitalizing the physical valuation \$68,000,000, at the group rate, 77.60 per cent.

Combine these recapitalized values in a weighted average, giving the correct weight to the five different factors as prescribed by the rule, and the following is the result:

Twenty times	.....	\$94,425,000 = \$1,888.50 millions
Five	"	93,827,000 = 469.14 "
Fifty	"	96,153,000 = 4,807.65 "
Five	"	106,870,000 = 534.35 "
Twenty	"	87,628,000 = 1,752.56 "

Total ..... \$9,452.20 millions

If this total is divided by 100, the resulting recapitalized-and-weighted valuation is \$94,522,000.

The original assessed valuation of this hypothetical Road A was \$100,000,000. It may be interesting to compare the assessed valuations of some of the actual roads with their recapital-

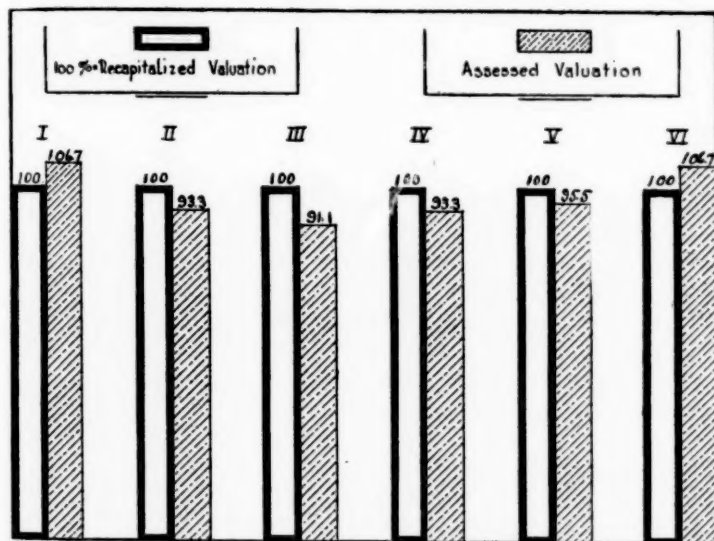


FIGURE 7.—Comparison of the assessed valuations of the six roads in Group I, with their recapitalized valuations.

ized-and-weighted valuations, before describing the application of the last three processes of the rule. Figure 7 gives the comparison of the assessed valuations of the individual roads in Group I with the recapitalized-and-weighted valuations. It is unnecessary to present the computations for all the groups, as Figure 7 is typical. This method was followed for each of the fifty roads of the state, except a few the data for which were incomplete.

## V

The essential thing, however, in determining whether a road has been assessed with comparative fairness or not, is to find out whether the road's ratio of assessed to recapitalized valuation is greater or less than, or the same as, the average ratio for roads of that group. If it is greater, the road has been over-assessed. If it is less, the road has been under-assessed. If the ratio corresponds with the average for the group, the assessed valuation is fair. To arrive at a conclusion in regard to these facts, the last three processes of the rule were adopted.

Carrying out the seventh process of the rule, we find the percentage of assessed valuation to recapitalized-and-weighted valuation, for each road of the group. The following figures are obtained:

*Percentage of assessed to recapitalized-and-weighted valuation.*

	<i>Per cent</i>
Road I .....	106.7
Road II .....	93.3
Road III .....	91.1
Road IV .....	93.3
Road V .....	95.5
Road VI .....	106.7

Next, we ascertain from these figures the average percentage of assessed to recapitalized-and-weighted valuation for the group, finding it to be 97.8 per cent. This is the eighth step of the rule.

Ninth, we secure the ratio between each road-percentage and the group-percentage, 97.8. The figures thus obtained are:

*Ratio of road-percentage to the average percentage for the group.*

	<i>Per cent</i>
Road I .....	109.1
Road II .....	95.4
Road III .....	93.1
Road IV .....	95.4
Road V .....	97.6
Road VI .....	109.1

These ratios indicate that Roads I and VI have been over-assessed, Roads II, III, and IV under-assessed, and that Road V has been assessed at about the right amount. Figure 8 gives the comparison of the road-percentages with the group average.

My conclusion, therefore, is that a tax commission could use this rule—giving weight, as shown above, to the different factors—for

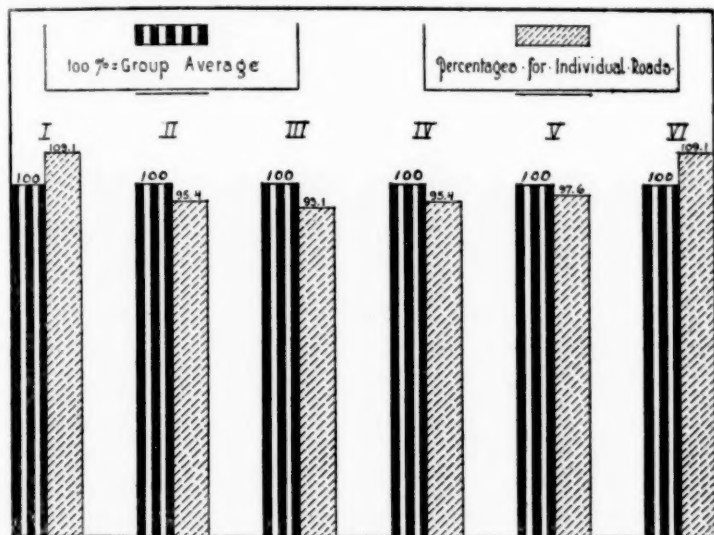


FIGURE 8.—Comparison of the individual road percentages (assessed valuation to recapitalized valuation) of the six roads in Group I, with the average per cent for the group.

the purpose of testing the comparative fairness of valuation as between roads in a group; such a test to be applied only after estimates of value have been established on the basis of the commission's knowledge of the condition and standing of the roads.

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## SIX YEARS OF POSTAL SAVINGS IN THE UNITED STATES

Six years have passed since January 3, 1911, when the United States postal savings system, authorized by the act of June 25, 1910, first opened the doors of the post offices for the receipt of savings deposits. The opponents of postal savings assailed the plan as a socialistic proposal, which would place the government in the banking business and make it a dangerous competitor of existing banks. The proponents, on the other hand, looked upon it as a well-tried device that would draw idle money from hoards, cause the foreign population to keep their savings in the United States instead of remitting them so extensively to their native countries, and provide savings facilities for our large rural population, particularly that of the West and South, where banking facilities in the rural communities were often sadly lacking.<sup>1</sup> A trial period of six years should be sufficient to test the truth of these prophecies, and the present time, when all savings institutions are facing the great problems involved in a probable rise in the interest rate with the consequent depreciation of their bonds and mortgages of long maturities, is an opportune one to examine our experience in this venture. For convenience the subject may be discussed under the following heads, although a certain amount of overlapping in the discussion of the different topics will be necessary: (1) Administrative organization, (2) Depository post offices, (3) Depositors and deposits, (4) Investment of postal savings funds.

### *Administrative Organization*

For "the control, supervision, and administration of the postal savings depository offices" and of the funds received on deposit, the act created a board of trustees somewhat analogous to the Postal Savings Bank Investment Board of the Philippines.<sup>2</sup> This Board of Trustees consists of three ex-officio members, the Postmaster General, the Secretary of the Treasury, and the Attorney

<sup>1</sup> The reader interested in the history of the postal savings movement in the United States leading to the legislation of 1910, in the debate in Congress over the subject, and in an analysis of the provisions of the act of 1910, will find them treated in the writer's article on "The United States Postal Savings Bank," *Political Science Quarterly*, vol. XXVI (1911), pp. 462-499.

<sup>2</sup> E. W. Kemmerer, "The Philippine Postal Savings Bank," *Annals of the American Academy of Political and Social Science*, vol. XXX (1907), p. 48.

General. These three officials were supposed to represent respectively the three important phases of the postal savings work: *i.e.*, administrative, financial, and legal. Wide discretionary powers were given to the Board of Trustees so that it might "feel its way" in developing the new system. The Treasurer of the United States is made treasurer of the board.

A few months experience with the new system showed that much delay was occasioned by the inability of the three members of the board to get together promptly when needed. Accordingly the Post Office Department Appropriation act of March 4, 1911 (section 5) amended the postal savings law by giving to the Postmaster General full authority with reference to the designation of postal savings depositories, the making of rules concerning the deposit and withdrawal of funds, and some other matters originally entrusted to the Board of Trustees as a whole. The investment and control of postal savings deposits continued to be entrusted to the board. During the year 1913 the administrative machinery of the postal savings system was reorganized and given a definite and permanent status in the Post Office Department, which it had previously lacked. On May 1, 1913, by administrative order of the Postmaster General, such part of the administrative business of the postal savings system as had up to that time been under the immediate supervision of the Postmaster General, together with the corps of employees doing the postal savings work, was transferred to the Bureau of the Third Assistant Postmaster General—the bureau in charge of the fiscal affairs of the Post Office Department—and a division was created in that bureau, to be known as the Division of Postal Savings, for the immediate charge of this work. Contemporaneously the Third Assistant Postmaster General was elected Secretary of the Board of Trustees and constituted its agent for all purposes connected with the administrative duties conducted through the central office in Washington.

Thus all [postal savings] business charged to the Post Office Department is performed in the Division of Postal Savings under the immediate supervision of the Third Assistant Postmaster General as an officer of the Post Office Department, and all business of the Board of Trustees is performed through or by the same official, either in his capacity as secretary or as agent of the Board for the performance of certain specified duties.<sup>3</sup>

<sup>3</sup> *Annual Report Third Assistant Postmaster General, 1913, p. 28.*

Up to June 30, 1913, the employees of the central office of the postal savings system were paid out of a special fund appropriated for "establishing postal savings depositories." Beginning with the fiscal year 1914, however, the clerical positions in the Division of Postal Savings were made statutory, and the expenses of the division were made directly chargeable to the annual appropriation for the Post Office Department. At the time of the transfer of the Postal Savings System to the Bureau of the Third Assistant Postmaster General, a committee of Post Office Department officials was appointed for the purpose of making a study of the regulations, instructions, and forms in use by the postal savings system, and of recommending changes where they thought desirable. As a result of the committee's work many changes in procedure were drafted, some of the more important of which will be noted later.<sup>4</sup>

#### *Depository Post Offices*

The system was inaugurated in January and February, 1911, by the opening of one postal savings bank<sup>5</sup> in each state and territory. From that time forward the work of extending the system to other places proceeded rapidly. By the end of the fiscal year 1913 banks had been opened in 12,151 post offices, including all presidential offices and about 4,000 offices of the fourth class, also in 667 branches and stations. This fiscal year showed the high-water mark in the number of banks. The department had moved too fast in opening new banks, particularly in fourth-class post offices. It was pointed out by Representative William H. Stafford, of Wisconsin,<sup>6</sup> in congressional debate that of the 4,000 fourth-class post offices which had been previously designated as postal savings banks 3,000 either had no deposits at all or deposits of only one dollar. On the fee basis then used for compensating postmasters for their services in postal savings work, in

<sup>4</sup> *Infra*, p. 65 *et seq.*

<sup>5</sup> The postal savings laws and the official administrative orders, regulations, announcements, etc., with few exceptions, avoid the use of the term "bank" in referring to the post offices which receive postal savings deposits. A post office which receives such deposits is officially known as a postal savings depository, and a bank receiving postal savings funds on deposit from the postal savings system is known as a depository of postal savings funds. Fortunately the public need not follow these circumlocutions. In this paper a post office receiving deposits will be called a postal savings bank, and a banking institution receiving postal savings funds will be called a depository bank.

<sup>6</sup> *Congressional Record*, Dec. 15, 1913, p. 928.

these 3,000 offices the average compensation allowed was 27 cents a year.<sup>7</sup> Yet the auditors of the Post Office Department kept a separate account with each one of these offices, and monthly audits were frequent—all involving substantial expenses. During the fiscal year 1913-1914 postal savings functions were discontinued at 18 presidential offices, 2,753 fourth-class offices, and 8 branches and stations;<sup>8</sup> and at the end of the fiscal year 1916, the last date for which detailed figures are available, the total number of postal savings banks was 8,421, classified as follows:<sup>9</sup>

First-class post offices .....	531
Second-class post offices .....	2,064
Third-class post offices .....	4,252
Fourth-class post offices .....	854
Branch post offices .....	176
Post-office stations .....	544
	<hr/>
	8,421

Notwithstanding the discontinuance of many postal savings banks in 1913-1914 and since, there are still a very large number of small and inactive banks. The annual report for the fiscal year 1915-1916 of the Board of Trustees gives for each city, town, and village having a postal savings bank, the amount of deposits held on June 30, 1916. An analysis of these figures made by the writer shows that 1,648 of the 8,421 postal savings banks had deposits of less than \$100 each; and of this number 509 banks did not have a single dollar of deposits, 259 had only \$1, 447 between \$2 and \$10, 299 between \$11 and \$25, and 581 between \$26 and \$99. These figures show that there is still ample room for the use of the pruning knife.

### *Depositors and Deposits*

The provisions of the organic postal savings act concerning depositors and deposits conformed to the commoner practices in other countries. Accounts may be opened by any person ten

<sup>7</sup> Representative Madden of Illinois, a member of the House Committee on Post Offices and Post Routes, *Cong. Rec.*, Dec. 10, 1913, p. 654.

<sup>8</sup> A few of these changes were due to the discontinuance or the reclassification of the post offices. Some new banks were opened during the year, but notwithstanding this, the year showed a net reduction of 2,473 in their number, bringing the total down to 10,347. *Ann. Rep. 3d Assist. Postmaster Gen.*, 1914, p. 6.

<sup>9</sup> *Ibid.*, 1916, p. 32. In January, 1914, the system was extended to Hawaii and Porto Rico.

years of age or over, but no person is permitted to have more than one account at one time. Deposits are receivable only in sums of a dollar or multiples of a dollar, provision being made, however, for the sale of postal savings cards for ten cents, which, when nine ten-cent postal savings stamps are pasted thereon, are receivable for one dollar. The original act limited the balance which any depositor could have to his credit (exclusive of accumulated interest) to \$500, and limited the amount he could deposit in any one month to \$100.

In the enactment of the postal savings law Congress left the decision as to the form in which the depositor's account should be kept to the discretion of the Board of Trustees. Chiefly for the purpose of keeping administrative expenses at a minimum, the board decided to use in place of the customary pass-book a simple form of certificate.<sup>10</sup> Aside from the limitation of the amount a depositor can have to his credit, there is no limit to the number of certificates he may hold.<sup>11</sup>

There is little that is noteworthy in the statutory provision concerning the withdrawal of deposited funds. Depositors are authorized to withdraw all or any part of their deposits, with accrued interest, upon demand, and under such regulations as the Board of Trustees may prescribe. The act of 1910 provided that the money for withdrawals was to be obtained by the local postal savings banks from the postal savings funds on deposit in the banks of the community in which the withdrawals were being made.

*Nativity of depositors.* The most striking fact in our six years experience with postal savings banks is the large extent to which they have been patronized by persons of foreign birth. The

<sup>10</sup> On page 7 of the revised regulations which became effective July 1, 1913, these certificates are described as "non-transferable and non-negotiable certificates of deposit, to be supplied to postmasters in duplicate in fixed denominations of one, two, five, ten, twenty, fifty, and one hundred dollars, upon which shall be entered the name of the issuing office, the date of issue, the date on which interest begins, the name of the depositor, and the number of his account." On the back of each certificate is printed a ten-year interest table. There is furnished to each depositor an envelope, in which he may preserve his certificates. Upon this envelope is printed a certain amount of postal savings information, and a blank ledger for keeping account of deposits and withdrawals.

<sup>11</sup> With each deposit, the depositor secures an additional certificate. As a matter of convenience to the depositor, however, the post office will exchange a certificate of large denomination for a number of certificates of small denominations.

American postal savings bank is to a large degree an immigrant's bank—a situation, so far as I have been able to learn, peculiar to the United States. Mr. Carter B. Keene, Director of the Division of Postal Savings, in an address before the Savings Bank Section of the American Bankers' Association on September 26, 1916, said that at that time 375,000, or 60 per cent of the total number of depositors, were born outside of the United States, and that this 60 per cent owned three quarters of all the deposits.<sup>12</sup> Moreover, the proportion of foreign born among the depositors is increasing. About three years before, only 36 per cent of the depositors were foreign born and this 36 per cent owned 51 per cent of the amount on deposit.<sup>13</sup>

Analysing the situation portrayed by these summary figures, one notices that some nationalities patronize the postal savings system much more extensively than others. The figures for the close of the fiscal year 1915 concerning the nativity of postal savings depositors<sup>14</sup> . . . are shown in column 1 of the table on page 52, of which columns 2 and 3, based upon the census figures for 1910—the latest available—have been added by the writer.

The last two figures in column 3 show that in proportion to population the deposits of the foreign born are about sixteen times as large as those of the native born. This comparison, however, involves the fallacy of an "age-selection" against the deposits by natives, since a much larger percentage of the foreign born than of the natives are 10 years of age or over and are therefore eligible to become depositors. This error in the crude figures may be largely estimated. The thirteenth census showed that about 75 per cent of the native whites were 10 years of age or over, and 97 per cent of the foreign born. Multiplying the crude figure 16 given above by 75/97 we arrive at 12.4 as the correct figure showing the number of dollars per capita deposited in postal savings banks by the foreign born above 9 years of age, to each dollar per capita deposited by the native born above 9 years of age.

Viewed by countries the figures show striking differences, the natives of Greece being well in the lead with a proportion of deposits 16.4 times as large as their proportion of the total popu-

<sup>12</sup> *Commercial & Financial Chronicle*, A. B. A. Convention Supplement, Oct. 14, 1916, p. 192.

<sup>13</sup> *Ibid.*, 1913, p. 195.

<sup>14</sup> The figures are given, along with a large amount of other postal savings information, in a pamphlet issued by the Post Office Department in 1916, entitled *The United States Postal Savings System*, p. 6.

TABLE I.—NATIVITY OF DEPOSITORS IN POSTAL SAVINGS BANKS.

Country of nativity	1	2		3
	Percentage of total deposits made by natives of each country	Number and percentage of population of U. S. born in each country		Relative amount of deposits held by natives of each country in proportion to their percentage <sup>1</sup> of total population
		Number	Per cent	Per cent
		(000 omitted)		
Greece .....	1.8	101	0.11	16.4
Russia .....	20.7	1,732	1.86	11.1
Italy .....	14.2	1,343	1.44	9.9
Hungary .....	4.3	496	0.53	8.1
Austria .....	8.7	1,175	1.26	7.0
Sweden .....	2.2	665	0.71	3.1
Great Britain and colonies .....	8.8	3,768 <sup>2</sup>	4.04	2.2
Germany .....	4.1	2,501	2.68	1.5
Other foreign countries..	7.0	1,565	1.68	4.2
Total foreign countries..	71.8	13,346	14.30	5.0
United States <sup>3</sup> .....	28.2	80,000	85.70	0.3

<sup>1</sup> The figures in this column are obtained by dividing the figures in column 1 by the percentage figures in column 2.

<sup>2</sup> Covers only Great Britain, Ireland, and Canada.

<sup>3</sup> Covers United States, Hawaii, and Porto Rico.

lation, Russia and Italy follow closely with proportions of 11.1 and 9.9 respectively, then comes Hungary with 8.1, and Austria with 7.0. The proportions for other countries fall far behind these figures.

Any satisfactory explanation of this situation would require a thoroughgoing investigation among the depositors themselves in the different communities most affected. With such evidence as is at present available, most of it coming from communications sent by postmasters and others to the Postal Savings Division at Washington, the best one can do is to name a few of the forces at work, without attempting to weigh them. Among these may be mentioned: (1) The distrust of non-government banks on the part of the foreign born population—a distrust easily understood when one bears in mind the extent to which our foreign born have

been robbed by persons (often of their own nationality) parading under the name "banker" or "bank." The exploitation of our thrifty foreign born population by many of our so-called "immigrant banks" has been a public disgrace.<sup>15</sup> Although considerable improvement has been made in recent years in the regulation of these institutions, the situation is still far from perfect, and the distrust among the foreign born engendered by the early abuses still persists. (2) A second reason is the democratic atmosphere which pervades most post offices, in contrast with the aristocratic one that pervades most banks. Moreover, comparatively few banks have made a reasonable effort to attract this class of our population, while the postal savings system has.<sup>16</sup> In receiving and sending letters and in transmitting money to their families or others in the homeland the foreign born are frequently brought to the post office. It would be rare that anything but the desire to deposit or withdraw money would bring the unskilled laborers among the foreign born to an American savings bank or commercial bank. Foreigners become familiar with the post office and not with the bank. (3) All of the first five countries in the list have postal savings banks, and immigrants from those countries have been familiar with such banks at home. (4) The European war through its interference with the ordinary means of sending small sums to Europe by international money orders and "immigrant banks," and through its depressing effect on the value of foreign moneys, has encouraged the foreign born to keep their savings in the United States.

Inasmuch as the avowed object of the establishment of postal savings banks in the United States was the encouragement of thrift, it is natural to ask: (1) How has the plan appealed to persons of different ages, and particularly how has it appealed to children, who represent the part of our population whose education in thrift would appear to be the most important? and (2) How has it appealed to our negro population, which, as a whole, and allowing for numerous worthy exceptions, is probably our most thriftless class?

<sup>15</sup> Cf. *Report of Immigration Commission, on Immigrant Banks*, Sen. Doc. No. 381, 61 Cong. 2. Sess., pp. 109-124.

<sup>16</sup> Circulars in 23 foreign languages explaining the postal savings system and its advantages have already been issued and widely distributed. These 23 foreign languages are designed to reach about 97 per cent of our entire foreign born population. *Third Assistant Postmaster General's Reports 1916*, p. 12.

*Age grouping of depositors.* No recent figures are available for the age grouping of depositors. An investigation of this subject, however, was made as of June 30, 1912, after the postal savings system had been in operation a year and a half. The result of that investigation has been furnished the writer by the Third Assistant Postmaster General, and is summarized in the following table, the last two columns of which have been added by the writer.

TABLE 2.  
NUMBER AND PERCENTAGE OF DEPOSITORS, JUNE 30, 1912, BY AGE GROUPS.

1	2	3	4	5
Age groups	Number	Per cent	Per cent of total population above nine years of age in age group in 1910	Ratio of percentage of depositors above nine years of age in age group to percentage of total population above nine years of age in age group
10-14 years	25,108	10.3	12.7	.81
15-19 "	20,703	8.5	12.6	.67
20-24 "	32,529	13.3	12.6	1.06
25-34 "	70,672	29.0	21.1	1.37
35-44 "	45,488	18.7	16.2	1.15
45-64 "	40,977	16.8	18.7	.90
65 years and over	7,987	3.3	5.8	.57
Unknown	337	0.1	0.3	
Total	243,801	100.0	100.0	

The table shows that children from 10 to 14 years of age constitute about four fifths as large a percentage of the depositors as they do of the country's total population over 9 years of age; while persons from 15 to 19 years of age constitute about two thirds as large a percentage. The facts are considerably more favorable to children depositors than the figures show. This is true, first, because of the fact previously noted that there is a very small percentage of children among our foreign born population which constitutes much over half of the postal savings depositors, and second, because the postal-savings-bank stamp cards and stamps, representing savings of less than a dollar, are probably used mostly by children, and the savings represented by outstanding cards belonging to persons who have not yet opened their accounts do not figure in the records.<sup>17</sup>

<sup>17</sup> This item would be too small to be worthy of mention were it not for the fact that a very large percentage of the persons who figure in the statistics as depositors have deposits of only one dollar.

The table shows emphatically that it is among the middle age groups that postal savings are most popular, the three age groups 25-34, 35-44, and 20-24, in their order, showing the largest proportions of depositors to the total population in the respective age groups.

*Negro depositors.* The colored population, although it lives chiefly in the sections of the country where non-governmental bank facilities are relatively lacking, has made little use of the postal savings system. As in the case of the age grouping of depositors, the only available statistics as to color grouping relate to June 30, 1912. At that time the total number of depositors was 243,801 and they were grouped as follows:

White .....	239,128
American negroes .....	4,006
Other negroes .....	456
American Indians .....	12
Chinese .....	23
Japanese .....	134
Other non-whites .....	42
Total .....	243,801

This gives the whites 98.1 per cent of the total, and the American negroes 1.6 per cent, whereas their respective percentages in the total population in 1910 were 88.8 and 10.7. Evidently the postal savings system is accomplishing practically nothing in reaching the negro population. This would appear to be a particularly important field for it to cultivate.

#### *Geographic Distribution of Deposits and Depositors*

Closely related to the subject of the character of the depositors is that of their geographic distribution. In fact, when one says that the bulk of the depositors are foreign born, names the nationalities that preponderate, and says there are few negro depositors, he has to a large extent answered the question of their geographic distribution, and has said that they come largely from the cities of the industrial communities. A further analysis of this situation, however, is justified by its importance. Table 3 on page 57 and the following map (Map I) show the distribution by states. Briefly summarized the facts are as follows:

*Distribution of depositors.* Taking the country as a whole there was one depositor on June 30, 1916, to every 153 of the

MAP I.—NUMBER OF POPULATION TO EACH POSTAL SAVINGS DEPOSITOR IN THE UNITED STATES, JUNE 30, 1916.

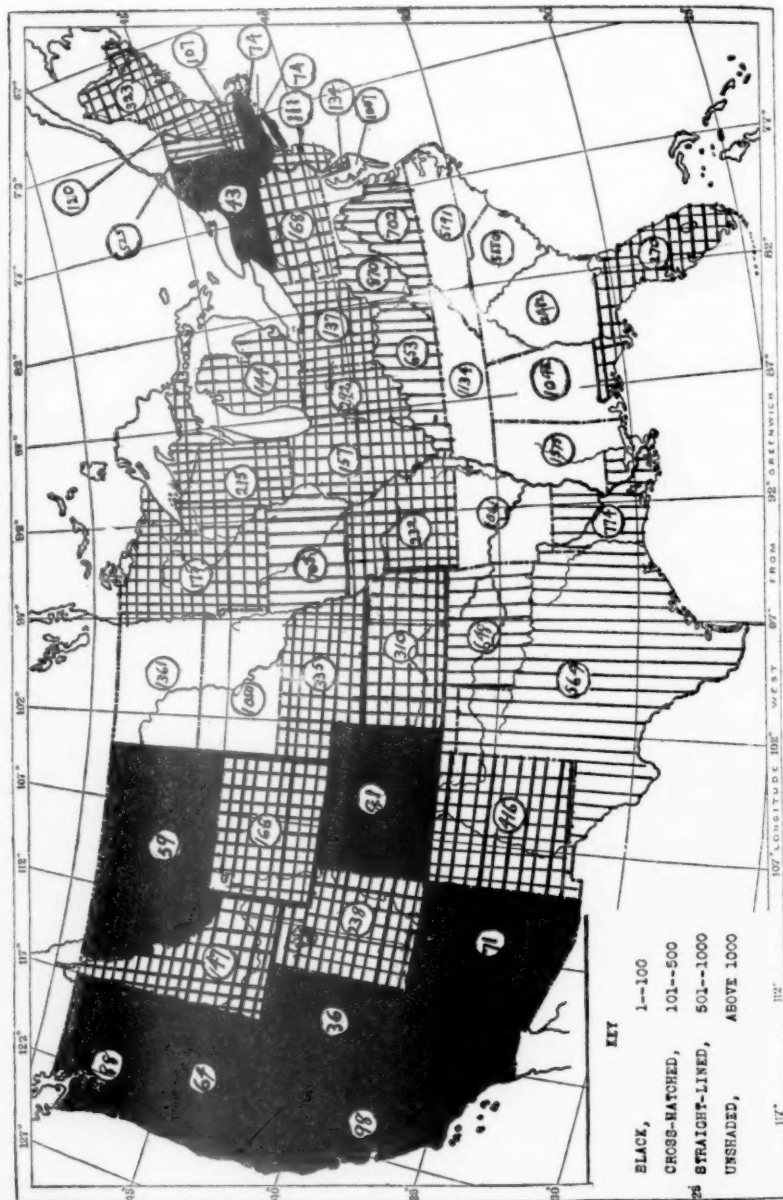


TABLE 3.—STATISTICS OF POSTAL SAVINGS BY STATES, JUNE 30, 1916.<sup>1</sup>

States and territories	Population: census of 1910	Savings banks		Depositors		Deposits	
		Number of banks	Population per bank	Number of depositors	Population per depositor	Amount	Per capita: census of 1910
	( <i>000 omitted</i> )					( <i>000 omitted</i> )	
Alabama . . .	2,138	92	23,240	2,051	1,042	\$222	\$0.10
Alaska . . .	64	8	8,000	224	286	36	0.56
Arizona . . .	204	36	5,667	2,861	71	605	2.97
Arkansas . . .	1,574	102	15,300	1,484	1,061	229	0.14
California . . .	2,377	310	7,670	24,224	98	3,836	1.61
Colorado . . .	799	130	6,150	9,917	81	1,652	2.07
Connecticut . . .	1,115	125	8,920	15,057	74	1,934	1.73
Delaware . . .	202	22	9,180	1,510	134	173	0.86
D. of Columbia . . .	331	9	3,680	2,723	122	373	1.13
Florida . . .	753	85	8,860	3,277	270	364	0.48
Georgia . . .	2,609	91	28,700	1,051	2,482	122	0.05
Hawaii . . .	192	10	19,200	409	469	38	0.20
Idaho . . .	326	84	3,880	2,215	147	381	1.17
Illinois . . .	5,639	486	11,600	35,979	157	5,992	1.06
Indiana . . .	2,701	292	9,250	9,251	292	1,377	0.51
Iowa . . .	2,225	268	8,300	3,155	705	527	0.24
Kansas . . .	1,691	298	5,670	5,451	310	741	0.44
Kentucky . . .	2,290	140	16,400	3,509	653	439	0.19
Louisiana . . .	1,656	79	21,000	2,139	774	292	0.18
Maine . . .	742	113	6,570	2,300	323	294	0.40
Maryland . . .	1,295	63	20,600	1,286	1,007	171	0.13
Massachusetts . . .	3,366	296	11,400	31,558	107	3,995	1.19
Michigan . . .	2,810	339	8,290	19,455	144	3,200	1.14
Minnesota . . .	2,076	265	7,830	11,852	175	1,951	0.94
Mississippi . . .	1,797	97	18,530	1,141	1,575	140	0.08
Missouri . . .	3,293	329	10,000	14,177	232	2,137	0.65
Montana . . .	376	85	4,420	6,389	59	1,806	3.47
Nebraska . . .	1,192	216	5,520	3,556	335	430	0.36
Nevada . . .	82	27	3,040	2,290	36	440	5.37
New Hampshire . . .	431	70	6,160	3,578	120	430	1.00
New Jersey . . .	2,537	200	12,700	22,762	111	2,806	1.11
New Mexico . . .	327	47	6,960	733	416	112	0.34
New York . . .	9,114	632	14,400	211,007	43	27,608	3.04
North Carolina . . .	2,206	83	26,600	425	5,191	46	0.02
North Dakota . . .	577	96	6,010	424	1,361	41	0.07
Ohio . . .	4,767	447	10,660	34,834	137	5,477	1.15
Oklahoma . . .	1,657	200	8,290	2,556	648	322	0.19
Oregon . . .	673	134	5,020	10,472	64	1,558	2.31
Pennsylvania . . .	7,665	566	13,500	45,579	168	7,108	0.93
Porto Rico . . .	1,118	44	25,400	1,770	632	76	0.07
Rhode Island . . .	543	41	13,240	7,370	74	796	1.47
South Carolina . . .	1,515	35	43,300	273	5,550	26	0.02
South Dakota . . .	584	114	5,124	556	1,050	75	0.13
Tennessee . . .	2,185	95	23,000	1,927	1,134	261	0.12
Texas . . .	3,897	357	10,920	6,908	564	770	0.20
Utah . . .	373	35	10,660	1,570	238	297	0.80
Vermont . . .	356	56	6,360	678	525	98	0.27
Virginia . . .	2,062	111	18,570	2,935	702	363	0.18
Washington . . .	1,142	165	6,920	12,963	88	2,119	1.86
West Virginia . . .	1,221	79	15,460	1,404	870	252	0.21
Wisconsin . . .	2,334	284	8,220	10,843	215	1,812	0.78
Wyoming . . .	146	33	4,425	879	166	168	1.15
Total . . .	91,972	7,701	11,940	602,937	153	86,020	0.94

<sup>1</sup> The table has been compiled from data obtained from the annual reports of the Third Assistant Postmaster General, and of the Board of Trustees of

population (using the census figures for 1910); but the proportion of depositors to the total population showed wide differences in different sections, varying from one depositor to every 36 of the population in Nevada to one to every 5,550 in South Carolina. There are ten states in which one per cent or over of the population are postal savings depositors, and these comprise a solid border of five states in the extreme western part of the country, the near-by states of Montana and Colorado, and three states in the East (New York, Connecticut, and Rhode Island). At the other extreme are ten states in which less than one tenth of one per cent of the population are postal savings depositors, and all of these states with the exception of the two Dakotas are south of the Mason and Dixon line, and, with the further exception of Arkansas, are east of the Mississippi River.

*Distribution of deposits by states.* The distribution of postal savings deposits by states at the end of the fiscal year 1916 is very similar to that of depositors. The table points to the following conclusions:

(1) The great bulk of the deposits are in comparatively few states. In only eight of the fifty-two states and other geographic districts mentioned did the total deposits exceed \$2,500,000; and these eight states (which in their order were New York, Pennsylvania, Illinois, Ohio, Massachusetts, California, Michigan, and New Jersey) held 70 per cent of the total deposits, the first four holding 54 per cent of the total.

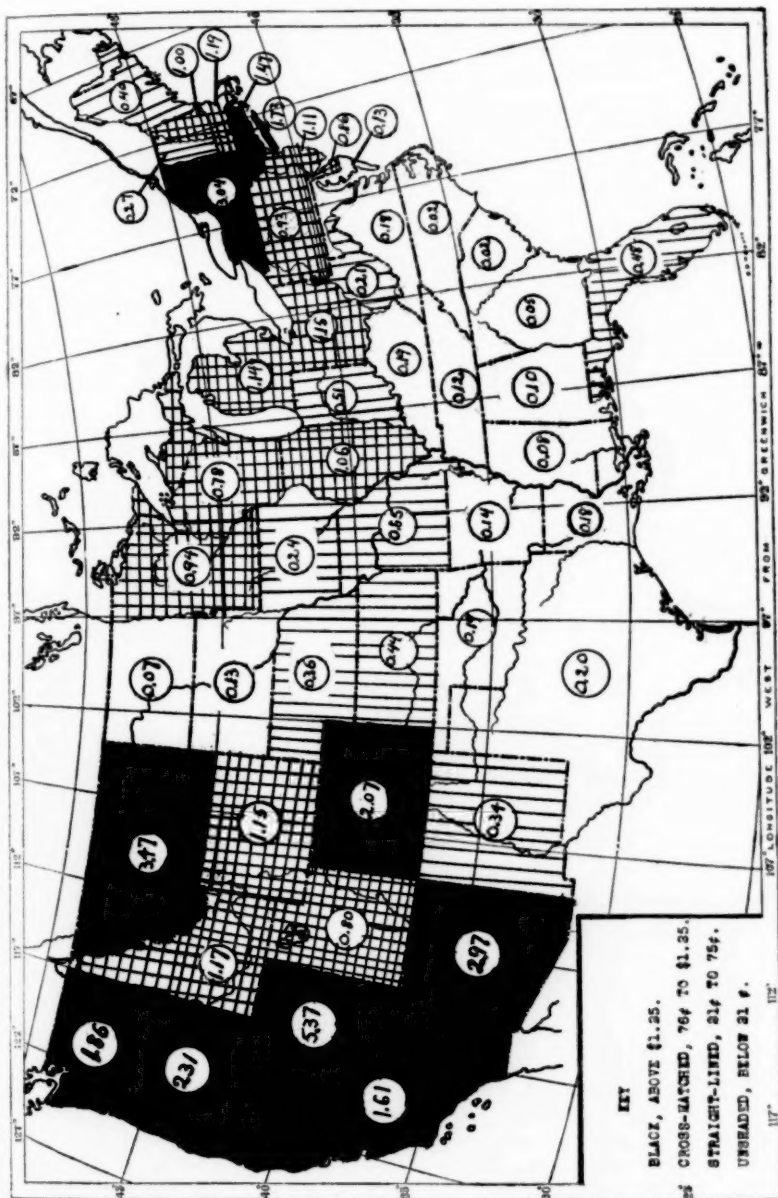
(2) Viewed from the standpoint of amount on deposit in proportion to population there is a striking difference in different sections of the country. The amount on deposit per capita varied from \$5.37 for Nevada to less than two cents for South Carolina.

On the following map (Map II) the states (territories, etc.) are classified into four groups according to their per capita deposits on June 30, 1916. The groups are:

- I. Per capita deposits above \$1.25.
- II. " " " between 76 cents and \$1.25.
- III. " " " between 21 cents and 75 cents.
- IV. " " " below 21 cents.

In general it is in the southern states that the per capita deposits are smallest, and in the mining and lumbering states of the Postal Savings System, also from the United States census reports. It is a cause of regret that the absence of satisfactory population figures for a later year than 1910 makes necessary the use of the census figures for 1910 in comparison with the postal savings figures for 1916.

MAP II.—PER CAPITA DEPOSITS IN POSTAL SAVINGS BANKS, JUNE 30, 1916.



the West, together with the manufacturing states of the East, that they are largest. The population of the Dakotas make scant use of the postal savings banks.

*Distribution of deposits by cities.* Passing from the distribution of deposits by states to that by cities and towns, we find figures published by the Third Assistant Postmaster General for the places having deposits of over \$100,000 on June 30, 1916. These places were seventy-six in number.<sup>18</sup> According to the census of 1910, they had a population of 20.6 millions, or 22 per cent of the total population of the country. They had, however, 397,776 postal savings depositors, or 66 per cent of the total; and these depositors had to their credit \$57.3 millions, or 67 per cent of the total deposits. Analyzing the figures by cities and limiting ourselves to cities with total deposits of over \$200,000, we find the first fifteen cities ranked in the order of their per capita deposits as follows:

Rank	City	Population <sup>19</sup>	Per capita deposits
		(000 omitted)	
1	Leadville, Col.	8	\$33.75
2	Butte, Mont.	42	19.93
3	Ironwood, Mich.	13	17.10
4	Pueblo, Col.	51	5.29
5	New York City	5,334	4.61
6	Tacoma, Wash.	103	4.32
7	Portland, Oreg.	260	4.08
8	Akron, O.	80	3.94
9	Detroit, Mich.	546	3.41
10	Toledo, O.	184	3.40
11	Bridgeport, Conn.	116	3.39
12	St. Paul, Minn.	237	3.20
13	Columbus, O.	205	3.14
14	Kansas City, Mo.	285	2.76
15	Duluth, Minn.	89	2.73

Some of the cities and towns whose total deposits are less than

<sup>18</sup> Brooklyn and Long Island City, I have included in New York City, although they are given separately in the government figures. See *Ann. Rep. 3d Assist. Postmaster Gen.*, 1916, p. 35.

<sup>19</sup> The populations used in compiling these per capita figures were in each case those for the latest date for which official estimates were available, and this means for all the cities except Leadville, Col., and Ironwood, Mich., the populations as of June 30, 1914; for the latter two cities the figures are for the census year 1910.

\$200,000 have very large per capita deposits. Among these the following may be mentioned:

Rank	City or town	Population in 1910 <sup>20</sup>	Per capita deposits
		(000 omitted)	
1	Roslyn, Wash.	3.1	\$40.72
2	Bisbee, Ariz.	9.0	21.48
3	Globe, Ariz.	7.1	14.18
4	Franklin, Pa.	9.8	13.97
5	Astoria, Ariz.	9.6	13.96
6	Barberton, O.	9.4	12.31
7	Hibbing, Minn.	8.8	12.34
8	Anaconda, Mont.	10.1	11.86
9	McKees Rocks, Pa.	14.7	11.36
10	Gary, Ind.	16.8	11.28

It is obviously to the small mining and industrial towns with their large foreign born populations that the postal savings system is rendering its greatest service.

*Sizes of Individual Deposits and Deposit Balances and Sources from Which Drawn*

It has already been mentioned that the Postal Savings act of 1910 limited the balance that any depositor could have (exclusive of interest) to \$500, and limited the amount which he could deposit in any one calendar month to \$100. These restrictions were made chiefly with a view to lessening the danger, which the banking interests so greatly feared, that the postal savings depositories would attract money away from the banks. With these restrictions in mind, we may consider the sizes of individual deposits and deposit balances and the sources from which they have been drawn.

*Sizes of deposit balances.* The Post Office Department publishes no figures showing the grouping of deposit balances according to size—information which it is desirable that the official statistics should furnish; but from its published statements a small amount of light on the sizes of individual balances can be gained. The average size of the deposit balances at the end of each of the six fiscal years during which the system has been in operation was as follows:

<sup>20</sup> Doubtless some of these places have had important changes in their population figures since the census of 1910; and the actual population figures for June 30, 1916, if available, would show in some cases, materially different per capita figures.

1911 .....	\$ 57
1912 .....	83
1913 .....	102
1914 .....	112
1915 .....	125
1916 .....	143

While this shows a healthy increase in the average balance, it throws little light upon the sizes of the items that make up these averages. Third Assistant Postmaster General Dockery said December 4, 1915: "We have now more than 30,000 depositors who have reached the limit—who have deposited all they are permitted to deposit under the postal savings law—and 22,000 of the 30,000 who have reached the limit of deposits are foreign born."<sup>21</sup> This was exclusive of the deposits which had been withdrawn for investment in  $2\frac{1}{2}$  per cent postal savings bonds. On the other hand, the fact previously noted<sup>22</sup>—that on June 30, 1916, there were 259 postal savings banks having only one dollar each, and 447 whose deposits ranged between \$2 and \$10—is evidence of a large number of petty accounts.

*Sources from which funds deposited are withdrawn.* From the earliest agitation for a postal savings system in the United States the debate over the advisability of such a system has centered largely in the question of the sources from which postal savings deposits would be derived. Bankers, as we have seen, almost unanimously opposed postal savings banks because they feared that the funds for postal savings deposits would be withdrawn or diverted from the banks, as they had been to some extent in Great Britain during the early days of the British postal savings banks. The proponents, on the other hand, had claimed that the funds would come chiefly from hoards, from increased savings, and from the deposit of funds which otherwise would be sent by the foreign born to the banks of Europe. Obviously it is impossible to describe in any quantitative way the sources from which the deposits have come. That is a topic of information which postal savings bank depositors—a proverbially distrustful class—naturally guard jealously. Such information as we have on the subject comes chiefly from the direct observations of postmasters and others actively engaged in the administration of the postal savings system, and from the testimony of bankers themselves as to the

<sup>21</sup> *The United States Postal Savings System, op. cit.*, p. 8.

<sup>22</sup> Page 49.

competition which they have experienced from postal savings banks.

In the first place it may be said that there is no evidence whatever that the postal savings system has to any appreciable extent proven a competitor of the banks. On the contrary it has been a feeder for the banks, and has proven a positive influence for the encouragement of thrift, in the interest of which the American Bankers' Association has for some time been conducting a vigorous and well-organized campaign. This fact has of late been generally admitted by the very bankers who formerly opposed the establishment of the postal savings system. For example, Mr. Edward L. Robinson, vice-president of the Eutaw Savings Bank of Baltimore, and chairman of the Committee on Postal Savings Bank Legislation of the Savings Bank Section of the American Bankers' Association, in a recent address before the Savings Bank Section of the American Bankers' Association, after referring to the "almost unbroken front of opposition from the banking interests" to postal savings legislation prior to 1910, said: "[After the system had gone into operation] it was at once evident that the system was not invading the territory occupied by other banks, but was actually drawing money out of hiding places and was making a strong and successful appeal, as was predicted, to the distrustful foreign element."<sup>23</sup>

Mr. Carter B. Keene, Director of Postal Savings, informs me that the opinion of postmasters throughout the country, as revealed by their letters and reports, is almost unanimous in the conclusion that the great bulk of the deposits come from hoards, and from funds that formerly were sent abroad for deposit in the postal savings banks and other banks of Europe. The tarnished condition of much of the coin deposited, and the receptacles in which the money is brought for deposit, show that much of it has been buried or otherwise hoarded for long periods. Director Keene said in an address before the American Bankers' Association Convention in Boston in October, 1913:

A systematic canvass was once made by the Department to ascertain where the postal savings deposits were coming from, and no depositor was found who had transferred his account under normal conditions from a bank to the post office. On the contrary our files are full of reports from postmasters who explain the falling off of deposits by the fact that accounts are being transferred to local banks, and letters from bankers urging the extension of the service to points where they

are unable to reach hoarded savings are now too frequent to occasion comment. The postal savings system is a fitting school for other savings institutions. Our depositors are at first more concerned for the security of their savings than in what they may earn. They are thinking of the principal not the interest, and it is only after they have learned the rudiments of saving that the interest feature attracts them. . . . The banks then get the accounts.<sup>24</sup>

Concerning the inroads made by the postal savings system into the former expensive practice of buying money orders payable to one's self as a means of securing government custody for savings, Third Assistant Postmaster General Dockery said in his annual report for 1915:

The use of the postal money-order service for savings purposes, in the absence of a postal savings system in this country, was quite general in the years preceding 1911, it having been ascertained that the value of money orders so purchased at first and second class offices during 12 months prior to March 1, 1908, was in excess of \$8,000,000. These investments were made solely because of the security afforded moneys so intrusted to the government. With the establishment of the postal savings system . . . . the money orders purchased for savings purposes were gradually cashed and the use of the money-order service for this purpose thereafter was negligible.<sup>25</sup>

In this connection the experience of six years of postal savings should be described with reference to the fear early expressed that the existence of postal savings banks would encourage runs on the banks in times of great financial distrust.<sup>26</sup> With such depositories for the safe keeping of money everywhere available, it was urged, the timid would withdraw their deposits from banks on the slightest provocation and deposit them at the post offices. Since the enactment of the postal savings law there has been no national financial crisis of a character to put this question to a severe test. The crisis of August, 1914, was not one that reached the masses of the people. Up to date there have been very few instances recorded in which money has been withdrawn in any considerable amount from banks, in time of stress, for deposit in postal savings banks; and most of these instances occurred in towns where confidence in local banks was dealt a blow by the

<sup>24</sup> *Com. & Fin. Chron.*, A. B. A. Conv. Suppl., Oct. 18, 1913, p. 195.

<sup>25</sup> *Report*, p. 15. It was also pointed out that postal savings depositors whose balances had reached the limit of \$500, fixed by the law in 1910, were again resorting to this device for entrusting their savings to the government.

<sup>26</sup> *Cf.* Kemmerer, "The United States Postal Savings Bank," in *Political Science Quarterly*, vol. XXVI (1911), pp. 497-498.

failure of one of their number. Four cases of this kind were described in a statement prepared by the Post Office Department and printed in the *Congressional Record* of December 15, 1913.<sup>27</sup> The cities were Ironwood, Mich., Lowell, Mass., McKeesport, Pa., and Pittsburgh, Pa. It will be sufficient to quote from the description of the last case, which was typical.

The First-Second National Bank of Pittsburgh, Pa., was closed on July 7, 1913. The postal savings receipts for the week beginning on the day of the failure was \$19,624, a larger sum than had been deposited in an entire month. The postmaster, in commenting on the situation July 17, said: "Very many of the depositors wanted to leave large sums, ranging from \$1,000 to \$9,000. Some persons who came to the office when they learned that only \$100 could be accepted did not open an account. While no record was kept of the amount offered and refused, there is no doubt but what the aggregate was in excess of \$100,000."

Cases were also reported of two bank runs which led to a considerable offering of funds at the postal savings banks. One was in Youngstown, Ohio, in August, 1913, and the other was the case of the United States Trust Company in Washington, D. C., November 21, 1913. This last run lasted from noon of one day till noon of the next. "During the six days prior to the run 30 postal savings accounts were opened in the Washington post office and \$3,413 was received. In five days after the run 147 accounts were opened and \$15,650 was received, and during this period \$24,261 was rejected on account of the monthly limitation."<sup>28</sup>

In all of the above instances of the withdrawal of funds from local banks the money withdrawn was immediately redeposited by the postmaster in local banks, and in most, if not all, of the cases, existing local depository banks for postal savings funds already had deposited with the government a sufficient margin of collateral to qualify at once for the new deposits.

*Limitations on the size of deposits and deposit balances.* This brings us to the question which has given rise to the most discussion since the enactment of the law of 1910: *viz.*, that of the desirability of raising or removing entirely the limitations imposed upon the amount that can be deposited by a depositor in any one month, and upon the total balance which a depositor may have to his credit. In harmony with the practices in many other coun-

<sup>27</sup> Pp. 926-927.

<sup>28</sup> *Ibid.*, p. 927.

tries and with the wishes of the banking community, narrow limitations were imposed by the act of 1910: *viz.*, \$100 as the maximum amount that could be deposited by any depositor in a month, and \$500 and accumulated interest as the maximum balance which a depositor could have.

These limitations soon proved to be onerous and a number of bills were early introduced in Congress looking toward lightening them. The first of these bills to come into prominence was the Moon bill<sup>29</sup> which contained provisions amending the organic postal savings act in a number of important particulars, one of which—the most controverted one—was concerned with changes in these limitations. The bill as originally introduced provided for the removal of all limitations upon the amount that any person could deposit in a postal savings bank at any time and upon the balance he might have to his credit, but limited the amount upon which he could draw interest to a maximum of \$1,000. The privilege of making non-interest-bearing deposits in postal savings banks, in unlimited sums, above the maximum upon which interest is allowed, is granted in a number of countries, notably Italy, Sweden, the Netherlands and its colonies, and the Philippines.<sup>30</sup> The Moon bill took the course through Congress usually taken by important bills which ultimately receive congressional approval. It was debated at intervals from December 15, 1913, to August 28, 1914, was amended in the House and in the Senate, referred to a conference committee by which the differences were compromised, and was finally passed by Congress at the end of August. In its final form the bill removed the limitations on the amount that could be deposited by a person in any month, left the maximum interest-bearing deposit \$500, and authorized the Board of Trustees in its discretion to "accept additional deposits not to exceed in the aggregate \$500 for each depositor, but upon which no interest shall be paid." The bill was sent to the President for his signature September 1, but was vetoed by him because of one of its provisions authorizing the deposit of postal savings funds in banks not members of the federal reserve system. "With most of the provisions of the bill," the President in his veto message declared himself "in hearty accord."<sup>31</sup>

<sup>29</sup> H. R. 7967 of the 63d Congress, introduced September 6, 1913, by Representative Moon, of Virginia.

<sup>30</sup> In Belgium there is no limit to the amount which can be kept on deposit, at interest, but when the deposit balance exceeds 3000 francs the interest rate on the whole balance is reduced from 3 per cent to 2 per cent.

<sup>31</sup> House Doc. No. 1162, 63 Cong., 2 Sess. This document contains the bill and the President's veto message. *Cf. infra*, p. 81.

Inasmuch as two years later legislation providing for the lightening of the restrictions upon postal savings deposits was passed, and as the chief debate over the question of policy occurred in connection with the vetoed bill, it will be well to summarize briefly at this point the arguments advanced, during the various congressional debates (1913-1916), on both sides of the question.

*Arguments for lightening limitations on deposits.* The chief arguments advanced in favor of the change were as follows:

1. The presumption is in favor of freedom from artificial restrictions in such a matter as permitting the public to deposit its savings in any legally authorized and safe agency for receiving deposits. In the original legislation the restrictions were imposed to protect banks from what many feared would prove a dangerous competition when the postal savings banks were opened. The fact that experience showed that the bulk of the postal savings deposits had come out of hoards and from persons who were not depositors at all in the regular banks made it clear that the *raison d'être* of the limitations was not a sound one, and that they should be removed, or, at least, greatly lightened. It may be pointed out in this connection that there are usually no legislative limitations on the size of interest-bearing savings accounts in commercial banks, and that the few such limitations which existed in the case of mutual and stock savings banks during the period of this controversy were more liberal than the existing postal savings act, and, with the exception of Massachusetts, were more liberal than those proposed in the original Moon bill.<sup>32</sup>

2. The second argument was that the restrictions were not only resulting in the keeping in hoards of the millions of dollars of savings of postal savings depositors which were in excess of the \$500 maximum, but also of many millions more representing the savings of persons who would deposit nothing in the postal savings banks if they could not deposit all. It has been previously pointed out that in 1915 more than 30,000 depositors had reached the \$500 limit, and that of this number 22,000 were foreign born. The Postmaster General said in his annual report for 1913: "A conservative estimate indicates that more money has been refused by the postal savings system than has been ac-

<sup>32</sup> A table showing by states the statutory restrictions on the amount that savings banks may receive from depositors is published in the *Congressional Record* for August 28, 1914, p. 14,382. Of the 48 states (and the District of Columbia) 36 had no restrictions whatever, and three of the other states merely authorized the banks to impose restrictions if they should desire.

cepted."<sup>33</sup> Director Reed of the Postal Savings System in 1913 stated it as his belief that not less than \$30,000,000 in postal savings deposits had been turned away because of the \$500 limit. "Sums as large as \$25,000," said Director Reed, "have been brought to us in old tea kettles, stockings, and what not else in the way of queer receptacles, and when we had to refuse to receive more than \$500 it went back into the nooks and corners, cellars, and underground, where it came from."<sup>34</sup> Third Assistant Postmaster General Dockery told the writer that it was the testimony of postmasters throughout the country, over and over again, that if a foreigner could not deposit his entire savings at once he commonly refused to deposit any.<sup>35</sup>

3. A third argument related to the expenses of administering the system. During the first two years the postal savings system was run at a heavy loss to the government—a loss computed at about \$1,000,000 down to December, 1913;<sup>36</sup> but since that time the records of the system have shown a net profit for each year. The Post Office Department took the position that if the limitations on deposits could be removed or greatly lightened, and particularly if non-interest-bearing deposits could be authorized, the deposits would be greatly increased, to the great relief of the deficit.

*Arguments against removal or lightening of restrictions on deposits:*

1. During the debates in Congress concerning alterations in the restrictions on postal savings deposits, the argument in the opposition that played the chief role—an argument which underlay many of the others—was that the changes proposed would make the postal savings system a stronger competitor of existing banks. There was a great deal of opposition on the part of bankers for this reason, and the banking community made its opposition felt in Washington.

It was claimed that, even if the postal savings system had not proven a competitor to the banks under the existing limitations on deposits, it did not follow at all that it would not prove a competitor when the limitations were lightened or removed. Senator Weeks, of Massachusetts, feared that the raising of the

<sup>33</sup> Page 27.

<sup>34</sup> Quoted in the *New York Evening Post*, Feb. 13, 1913.

<sup>35</sup> Cf. on this subject *The United States Savings System*, op. cit., pp. 41-51.

<sup>36</sup> *Cong. Rec.*, Dec. 15, 1913, p. 923.

limits would put the postal savings system into competition with the mutual savings banks of the East,<sup>37</sup> and Senator Lodge, of Massachusetts, thought that the proposals were a move in the direction of putting the government into competition with the banks in the savings bank business.<sup>38</sup> Senator Gallinger, of New Hampshire, had received letters from officials of the savings banks in his state making a very earnest protest against the House proposal that there should be no limit on non-interest-bearing deposits.<sup>39</sup>

2. A second objection was the claim that the raising of the deposit limit and particularly the allowance of large or unlimited non-interest-bearing deposits would open the door to the fraudulent evasion of debts and taxes. According to a decision of the Attorney General's Office, deposits in postal savings banks are exempt from attachment and execution for debt. In December, 1915, and during the consideration of the bill to raise the limit of interest-bearing deposits to \$1,000 and to authorize non-interest-bearing deposits up to another thousand dollars, Representative Steenerson, of Minnesota, drew a picture of a man with a wife and five or six children over ten years of age, each depositing \$2,000 in the postal savings bank, and escaping creditors to the total amount deposited.<sup>40</sup> He raised the question as to whether a lower limit than the one proposed should not be fixed for minors, but did not urge the point for he admitted that the evidence so far available was that minors were not using the postal savings banks very extensively, and that comparatively few of them who did use it would have deposits of over \$1,000. Senator Smoot, of Utah, in the course of debate on the earlier bill, said there was one class of people who would go to the limit of \$2,000. "I have received a number of letters," he said, "stating that there were people who used the postal savings banks, depositing their money in the post offices of the country, with the purpose of preventing the money from being garnisheed; . . . and they felt perfectly safe about keeping it from their creditors."<sup>41</sup> Senator Sherman, of Illinois, said that he also had received many complaints on this subject from a great variety of people.<sup>42</sup>

Postal savings deposits, being debts of the United States gov-

<sup>37</sup> *Cong. Rec.*, April 14, 1914, p. 6672.

<sup>38</sup> *Ibid.*, April 15, 1914, p. 6727.

<sup>39</sup> *Ibid.*, April 14, p. 6670; and April 15, p. 6725.

<sup>40</sup> *Ibid.*, Dec. 17, 1915, p. 433; and Jan. 6, 1916, p. 618.

<sup>41</sup> *Ibid.*, April 27, 1914, p. 7303.

<sup>42</sup> *Ibid.*, April 27, 1914, p. 7303.

ernment, are exempt from taxation under section 3701 of the revised statutes which provides that "all stocks, bonds, treasury notes, and other obligations of the United States shall be exempt from taxation by or under state or municipal or local authority." Senator Hitchcock, of Nebraska, thought that the bill, if passed, would encourage tax dodging through the withdrawal of money from ordinary banks just before assessment day and its temporary deposit in postal savings banks.<sup>43</sup>

The tax-dodging argument apparently did not make a very strong appeal. The facts that the interest rate proposed to be paid by the government was but 2 per cent on the first thousand dollars, and nil on the second, the proposed limitation to \$2,000 on the total amount that could be deposited, the ease with which a would-be tax dodger could dodge taxes on cash funds without recourse to postal savings deposits, and the fact that federal, state, and city bonds paying higher interest rates than postal savings deposits were exempt from taxation—all of these facts weakened decidedly the appeal of the tax-dodging argument.

As to the argument that the raising of the deposit limits would encourage evasion of debt, the proponents of the higher deposit limit argued that there had been very little evidence of such evasion under the old limits, and that the new ones were not high enough to make the danger a serious one. Furthermore, said Senator Bryan, of Florida, who was sponsor for the bill in the Senate, the question of whether the additional deposits authorized by the proposed legislation should be exempted from attachment for debt and from taxation is a separate question to be considered by itself.<sup>44</sup> Such rights of exemption were not an essential part of the proposal to raise the deposit limits.

3. A third argument in opposition was urged by Senator Weeks, of Massachusetts. It may best be stated in his own words:

I feel perfectly sure that if this is undertaken you will see men from time to time dropping into the country post office and depositing their money where the postmaster has no facilities for caring for it, having no safe or any other means of protecting deposits. . . . [They will do so] not for the purpose of saving the money, not for the purpose of getting interest on it, but simply for the purpose of leaving it there for safe keeping until it is wanted.<sup>45</sup>

These were the only arguments worthy of mention advanced

<sup>43</sup> *Cong. Rec.*, April 27, 1914, p. 7304.

<sup>44</sup> *Ibid.*, April 28, 1914, p. 7360.

<sup>45</sup> *Ibid.*, April 27, 1914, p. 7302.

in the Sixty-third and Sixty-fourth Congresses, on either side of the broad question of raising the deposit limits.

*Limits on deposits raised in 1916.* As previously noted, the veto by President Wilson of the postal savings bill of 1913-1914 (H. R. 7967) had no reference to the provisions of the bill raising the limits on deposits. In the next session of Congress a new bill providing for the raising of the limits was introduced by Representative Moon. By this time the Postal Savings Bank Legislative Committee of the Savings Bank Section of the American Bankers' Association had withdrawn its opposition to the legislation.<sup>46</sup> With the bankers' organized opposition removed, the proposed legislation had fairly clear sailing, and the bill (H. R. 562) became law by the signature of the President on May 18, 1916. The new act repealed the provision of the organic law which imposed a limit of \$100 on the amount that could be deposited in one calendar month, raised the interest-bearing limit from \$500 to \$1,000, and provided "that the Board of Trustees may, in their discretion, and under such regulations as such Board may promulgate, accept additional deposits not to exceed in the aggregate \$1,000 for each depositor, but upon which no interest shall be paid."

Notwithstanding the efforts that were made by the post office authorities to have this latter permissive legislation passed, and the strong case that was made in its favor, the Board of Trustees have not yet seen fit to exercise the authority therein granted to receive non-interest-bearing deposits up to \$1,000. The writer has been unable to obtain any official explanation of their inaction. Director Keene of the Division of Postal Savings, referring to the matter in an address at the American Bankers' Association Convention, September 26, 1916, merely said, "The Board of Trustees has not thus far accepted the non-interest-bearing accounts."<sup>47</sup>

<sup>46</sup> The Committee reported to the Savings Bank Section of the American Bankers' Association, September 7, 1915: "It is understood that the Sixty-fourth Congress will enact legislation raising the limit of interest-bearing deposits to \$1,000 and giving discretionary powers to the Board of Trustees to accept an additional \$1,000 without interest. From the knowledge acquired by your committee in its efforts to have the original Moon bill amended, and from a frank interchange of views with the Director of the Postal Savings System, we feel that the desire of the Trustees for this increase of authority is not unreasonable and will not work any hardship upon our savings banks. . ."

*Com. & Fin. Chron.*, A. B. A. Conv. Suppl., Sept. 18, 1915, p. 181.

<sup>47</sup> *Com. & Fin. Chron.*, A. B. A. Conv. Suppl., Oct. 14, 1916, pp. 191-192.

The Third Assistant Postmaster General in his annual report for 1916 (dated September 30), after saying that the previous limitations "greatly retarded the growth of the system and restricted the scope of its usefulness," refers to the amendment as follows:

By the terms of the amendment a person may now deposit any number of dollars, and at any time, until the balance to his credit amounts to \$1,000. The effect of the liberalizing legislation was an immediate and pronounced increase in postal savings deposits. As the advantages of the new law become known the accumulated hidden savings of the country flow to the postal banks and are there restored to the circulating medium.<sup>48</sup>

In its annual report dated December 1, 1916, the Board of Trustees use almost the same language. Both reports strangely ignore the question of receiving non-interest-bearing deposits.

*Growth of deposits.* Since the inauguration of the postal savings system on January 3, 1911, the growth of deposits has been continuous, and this growth (as just noted) has recently been stimulated by the raising of the limitations and by conditions created by the European war. Laborers in the United States have been very prosperous during the past two and a half years, and the situation in Europe has not been favorable to the sending of money across the water for safe keeping. The following figures show the balances on deposit in the postal savings banks at the end of the fiscal year since the system was inaugurated, and the balance for November 10, 1916—the latest date for which figures are available.

TABLE 4.—GROWTH OF POSTAL SAVINGS DEPOSITS, 1911-1916.

Fiscal year ending June 30	Amount	Percentage increase over preceding date
	(000 omitted)	
1911	677 <sup>1</sup>	2900
1912	20,237	67
1913	33,819	28
1914	43,444	51
1915	65,685	31
1916	86,020	26
Nov. 30, 1916 <sup>2</sup>	108,500	

<sup>1</sup> Six months only.

<sup>2</sup> Five months only.

*Interest paid on postal savings deposits.* The act of 1910 provided (section 7) that "interest at the rate of two per centum

<sup>48</sup> *Ann. Rept. 3d Assiet. Postmaster Gen.*, 1916, p. 7.

per annum shall be allowed and entered to the credit of each depositor once in each year, the same to be computed on such basis and under such rules and regulations as the Board of Trustees may prescribe; but interest shall not be computed or allowed on fractions of a dollar." Although interest rates prior to the European war ruled higher in the United States than in most advanced countries, this rate of 2 per cent is the lowest one to be found in any postal savings system in the world.

In framing rules and regulations concerning the payment of interest to depositors, the Board of Trustees has been very exacting. It early decided that compound interest should not be allowed. A depositor, however, may withdraw interest payable, and then immediately redeposit it as principal. This ruling of the board seems petty. Remembering the legal limitations on maximum deposits, and the provision of the law that interest cannot be paid on fractions of a dollar, it is difficult to see justification for this unusual ruling against compound interest. That it is an item of considerable importance will be seen from the fact recently cited by the Third Assistant Postmaster General, that interest allowed depositors from the beginning of the postal savings system to August 31, 1915, amounted to \$1,467,604, of which amount \$877,412 had been applied for and paid by postmasters, and the remainder, \$590,192, had not yet been applied for,<sup>40</sup> and consequently was not drawing interest. The hardship which it works is greater since the interest-bearing limit has been raised from \$500 to \$1,000.

A second ruling, and one of much more serious moment to depositors, is that no interest shall be paid on money which remains on deposit for less than a year, and no interest shall be allowed for fractions of a year even after the money has been on deposit a full year. There is a certain amount of irony in the following quotation from the 1914 annual report of the Third Assistant Postmaster General:

Interest on deposits [of postal savings funds] in banks is computed on the basis of average daily balances. . . . Interest on postal savings certificates is computed on the basis of deposits which have remained for one or more full years from the first day of the month following the month in which the deposits were made.<sup>50</sup>

<sup>40</sup> *The United States Postal Savings System*, pp. 13-14.

<sup>50</sup> *Report*, p. 6. Furthermore, it has been ruled that a depositor who moves away from the town or city in which his postal savings account is held, cannot transfer his account to his new place of residence, before the end of his

The amount of interest of which these regulations deprive depositors every year is large. Take the year 1916 for example. The fiscal year began with a balance to the credit of depositors of \$65,684,708 and ended with \$86,019,885. The mean deposit balance was therefore \$75,852,296. At 2 per cent per annum the interest on this sum would have been \$1,517,046. As a matter of fact, the interest "allowed and entered to the credit of depositors" was but \$964,187, or 1.27 per cent on the mean annual balance.

On the other hand, aside from the 5 per cent reserve kept with the Treasurer of the United States, the government deposited practically<sup>51</sup> all of its postal savings funds in banks at interest at the rate of 2½ per cent per annum on average daily balances. The interest received in these bank deposits for 1916 was \$1,764,368. Adding to this the \$34,966 received on the 2½ per cent bond investments, one arrives at \$1,800,000 (in round numbers) as the interest earned for the year. This represents an average daily balance, drawing interest, of \$72,000,000.<sup>52</sup> This sum came entirely from depositors, but for the same period the sum on which interest was allowed and entered to the credit of depositors was but \$48,209,350, or 67 per cent of that upon which the government received interest. Viewed in another way, if the government had paid its 2 per cent to depositors on the same sum (less the 5 per cent reserve) as that upon which it received its 2½ per cent it would have paid depositors \$1,516,000 instead of \$964,187.

The explanation of the great discrepancy between interest paid and interest received consists chiefly in the fact that depositors forfeit their accumulated interest by withdrawing substantial sums before the end of the year interest-period. Third Assistant Postmaster General Dockery recently cited the following figures relating to this subject before a committee of the United States Senate:

Sixty-two per cent of the deposits are withdrawn before they have been on the deposit one year; 53 per cent of the 38 per cent that remains is withdrawn within the second year; and of the 18 per cent that still remains, 48 per cent is withdrawn within the third year,

"deposit year," without forfeiting his accumulated interest. He can make the transfer only by closing his old account, and opening an entirely new one at his new place of residence.

<sup>51</sup> A small amount was invested in 2½ per cent postal savings bonds, but the entire income on these bond investments for the year 1916 was only \$34,966.

<sup>52</sup> On this basis the total average daily balance (inclusive of the 5 per cent reserve at Washington) would have been about \$75,800,000.

leaving approximately only 9 per cent of the deposits in the custody of the Government at the end of the third year.<sup>53</sup>

As a matter of fact the interest rate paid is so low that it makes a very weak appeal to the class of people who deposit in the postal savings banks. Their motive is primarily security. The government is now realizing large profits from the postal savings system<sup>54</sup>—for 1916 the estimated profit was \$481,816<sup>55</sup>—and this profit is coming from a class of people in the community from whom it is bad social policy to take it, *viz.*, from the thrifty poor. Of course it would be administratively impracticable to pay interest to depositors on average daily balances. Would it be expecting too much, however, to ask for our postal savings depositors the allowance of interest on half-yearly or even quarterly balances? Moreover, is it unreasonable to ask the Board of Trustees in view of the nomadic character of our foreign born population which patronizes the postal savings system most, to devise a simple system of transfer by which a depositor who is changing his place of residence may transfer his postal savings account without forfeiting his accumulated but as yet undue interest?

#### *Investment of Postal Savings Funds*

The most difficult problem which Congress had in formulating its postal savings plan in 1910 was that of the investment of the deposited funds. In most countries postal savings funds are invested in the public debt, but such a disposition of them in the United States was out of the question because the United States public debt was small and was not looked upon as permanent, and because most of it was already tied up as security for national bank note circulation. There was a widespread belief both in Congress and outside that any feasible plan for the investment of postal savings funds must meet five requirements: (1) The investments must be safe. (2) Either all or a substantial proportion of them must be payable on demand since the postal savings deposits were to be demand deposits. (3) The investments must yield a sufficient rate of interest to pay the interest due to depositors and the expenses of administration. (4) The funds

<sup>53</sup> *The United States Postal Savings System, 1916, op. cit.*, p. 5.

<sup>54</sup> The first two years the system was run at an estimated loss of \$1,000,000. Since that time every year has witnessed a substantial net profit to the government.

<sup>55</sup> *Board of Trustees, Annual Report of the Postal Savings System, 1916* (House Doc. No. 1433, 64 Cong. 2 Sess.), p. 61.

must be kept for the most part in the local communities where the deposits are received. The idea of the desirability of keeping "the money at home" was almost a fetish both among the advocates and the opponents of the postal savings legislation. Local communities throughout the country under the leadership of local bankers and of the postal savings legislative committee of the Savings Bank Section of the American Bankers' Association were prompt to inform their representatives in Congress that, if postal savings banks were to be established, they desired the deposited funds to be kept at home, and at all costs to be prevented from flowing to Wall Street. (5) The investment must take such a form as to make the postal savings system constitutional. In the Senate the postal savings bill had been vigorously attacked on the ground of unconstitutionality. It was declared that the avowed object of the bill was to encourage thrift, and that the Constitution conferred upon Congress neither directly nor by implication the right to create governmental machinery for that purpose. The advocates of the bill of course rested their case chiefly upon the doctrine of implied powers, and they found authority for such legislation implied in the power to "coin money" and "regulate the value thereof," the power to "regulate commerce . . . among the several states," the power to "establish post offices and post-roads," and, finally and chiefly, upon the power "to borrow money on the credit of the United States." Inasmuch as the deduction of constitutional authority to establish a postal savings system from all the above-mentioned powers, except the last, seemed rather weak even to the advocates of postal savings banks, the bill in its later stages was modified so as to bring into prominence the right of the United States government to borrow postal savings funds for national needs, both normal needs and emergency needs.

This brief explanation will give the reader the underlying philosophy of the investment features of the act,<sup>56</sup> which were briefly as follows: Postal savings funds were divided into three parts (section 9 of act): (1) A 5 per cent reserve fund to be kept in lawful money in the Treasury of the United States; (2) a sum not exceeding 30 per cent of the amount of postal savings funds, which "may at any time be withdrawn by the Trustees for investment in bonds or other securities of the United States";

<sup>56</sup> The debate in Congress over the constitutionality of the bill, with citations, is discussed at some length in the article by the writer previously cited, in the *Political Science Quarterly*, vol. XXVI (1911), pp. 486-491.

(3) a sum, which normally should not be less than 65 per cent of the total postal savings deposits, to be kept on deposit "in solvent banks, whether organized under national or state laws, being subject to national or state supervision and examination. . . ."<sup>57</sup> It was declared to be the intent of the act that this residual 65 per cent should remain on deposit in the banks in each state and territory willing to receive them,<sup>58</sup> and should be a working balance and a fund which might "be withdrawn for investment in bonds or other securities of the United States, but only by direction of the President, and only when, in his judgment, the general welfare and the interests of the United States so require." This latter provision authorizing the borrowing of the balance by the government was motivated largely by the desire to strengthen the constitutional position of the act.

Postal savings funds deposited in banks were to bear interest at a rate of not less than  $2\frac{1}{4}$  per cent, and the Board of Trustees was to require depository banks to give adequate security for such deposits, in the form of "public bonds or other securities, supported by the taxing power."

*Investment in bonds.* Aside from the purchase of a few postal savings  $2\frac{1}{2}$  per cent bonds (\$1,558,500 in all down to June 30, 1916) from their holders in order to maintain their parity, the trustees of the postal savings system have made no purchases of bonds whatever. The banks, despite their early opposition to the system, showed great eagerness in most localities to secure postal savings deposits, and from the beginning practically all of the funds were deposited in banks.<sup>59</sup>

<sup>57</sup> The word "bank" was declared by the law (sec. 9) to "include savings banks and trust companies doing a banking business."

<sup>58</sup> The funds received at the postal savings depository offices in each locality were to be deposited "in banks located therein (substantially in proportion to the capital and surplus of each such bank) willing to receive such deposits under the terms of this act and the regulations made by authority thereof. . . . If no such bank exist in any city, town, village, or locality, or if none where such deposits are made will receive such deposits on the terms prescribed, then such funds shall be deposited under the terms of this act in the bank most convenient to such locality. If no such bank in any State or Territory is willing to receive such deposits on the terms prescribed, then the same shall be deposited with the treasurer of the Board of Trustees, and shall be counted in making up the reserve of five per centum." Section 9 of Postal Savings Act.

<sup>59</sup> The 5 per cent reserve held in the United States Treasury at Washington is adjusted only once a year, and, inasmuch as there has been an increase of

*Deposit of postal savings funds in banks.* The percentage of the total postal savings deposits which had been redeposited and was held in banks at the end of each half-year period since the inauguration of the system is as follows:<sup>60</sup>

Date	Per cent
June 30, 1911.....	84.4
Dec. 31, 1911.....	91.1
June 30, 1912.....	91.8
Dec. 31, 1912.....	93.9
June 30, 1913.....	93.2
Dec. 31, 1913.....	94.3
June 30, 1914.....	94.2
Dec. 31, 1914.....	94.5
June 30, 1915.....	91.5
Dec. 31, 1915.....	92.8
June 30, 1916.....	93.8

The postal savings amendment of May 18, 1916, therefore, merely recognized the *status quo* when it repealed the provision of the act of 1910 authorizing the investment of 30 per cent of the deposits in United States securities. It reenacted the provision authorizing the Board of Trustees to invest all or any part of the postal savings funds, except the 5 per cent reserve fund, in bonds or other securities of the United States, "when, in the judgment of the President the general welfare and interests of the United States so require." Aside from this, the only provisions in the present law for the investment of postal savings funds in United States securities are: (1) That the Trustees may so invest any funds which in any state or territory "shall exceed the amount which the qualified banks therein are willing to receive under the terms of this Act, and [when] such excess amount is not required to make up the reserve fund of 5 per centum." This is a contingency which has not yet been met and is not likely to occur. (2) That the Board of Trustees may in its discretion purchase from the holders  $2\frac{1}{2}$  per cent postal savings bonds. As

deposits during each year, the percentage of reserve as adjusted declines throughout the year. With deposits growing as rapidly as those of the postal savings system, such a long interval between the dates of the adjustments of the reserve, results in the maintenance of a reserve which averages far below 5 per cent. Probably a 5 per cent requirement is unnecessarily high under the circumstances. If so, it should be reduced by law. To make the percentage of the reserve vary inversely throughout the year, as at present, with the amount of postal savings deposits, seems to be a questionable policy. Cf. *Ann. Rep. 3d Assist. Postmaster Gen.*, 1913, p. 37.

<sup>60</sup> The balances on deposit in banks used in these computations are those shown by the banks' books. At all times there is a small amount of postal savings funds in the hands of postmasters.

previously noted, up to June 30, 1916, the trustees had purchased about a million and a half dollars worth of these bonds. If the market rate of interest goes up materially in the near future, and the prospects are that it will, the trustees are likely to be called upon to purchase them in substantial quantities.

*Distribution of postal savings funds among banks.* Soon after the act of 1910 was passed the Post Office Department received applications from all kinds of banks scattered throughout the country for the privilege of becoming depositories of postal savings funds. On December 31, 1910, the Board of Trustees issued their first series of "regulations for the guidance of banks qualifying as depositories of postal savings funds." The regulations provided that "any solvent bank, whether organized under national or state laws, . . . subject to national or state supervision and examination" might lawfully qualify as a depository. According to Director Weed, this authorization was limited to incorporated banks or "banks that are clothed with the essential attributes of corporations by virtue of legislative action."<sup>61</sup> Private banks were all excluded, except a certain class in Indiana which met the requirements as to "organization, supervision and examination." Branch banks were excluded which did not have apportioned to them by the parent bank a specified amount of capital. In a number of states, state banks which could have qualified under federal law were prevented from doing so by state law, but this was later remedied in most jurisdictions.<sup>62</sup>

In order to qualify as depositories, banks were required to submit a satisfactory report of condition and to offer proper collateral for the deposits—a subject to be considered later. Funds were to be apportioned among the qualified banks only on the first day of each quarter. A later regulation (section 10 of regulations of 1913) provided that the apportionment of deposits to newly qualified banks would only "apply to funds deposited after the date as of which the bank qualified"—a regulation that was necessary to avoid the confusion which would result from a com-

<sup>61</sup> *Com. & Fin. Chron.*, A. B. A. Conv. Suppl., 1912, p. 192.

<sup>62</sup> State banks were originally disqualified in Arkansas, California, Kentucky, Massachusetts, Michigan, Mississippi, South Dakota, Tennessee, and Wisconsin. By 1916, however, state institutions in all of these states except Arkansas and Mississippi had qualified as postal savings depositories. Cf. Theodore L. Weed, "The Postal Savings Banks and the United States," in *Com. & Fin. Chron.*, A. B. A. Conv. Suppl., Sept. 21, 1912, p. 192; and *Ann. Rep. 3d Assist. Postmaster Gen.*, 1916, p. 33.

plete reapportionment of deposits each time a new bank in the community qualified as a depository.

The number of banks of each class which were qualified as depositories for postal savings funds at the end of each fiscal year since 1912 is as follows:<sup>63</sup>

TABLE 5.—NUMBER OF BANKS QUALIFIED AS DEPOSITORIES, 1913-1916, BY CLASSES.

Year	National banks	State banks	Savings banks	Trust companies	Organized private banks	Total
1913	3,786	2,405	377	609	49	7,226
1914	3,627	2,099	347	617	25	6,715
1915	3,628	1,499	291	568	21	6,007
1916	3,547	1,257	262	547	21	5,634

The tendency of the total number of depository banks to decline is due to a number of causes among which may be mentioned: (1) the plethora of moneyed capital during the past two years, which has made deposits of postal savings funds unattractive to many banks, requiring as they do the pledge of collateral and the payment of  $2\frac{1}{2}$  per cent interest; (2) the discontinuance of postal savings banks in many communities;<sup>64</sup> and (3) the legislation discriminating against banks which are not members of the federal reserve system as depositories. This last item calls for further discussion.

The Federal Reserve Act, as originally enacted, contained a clause (section 15) to the effect that no government funds nor postal savings funds should be deposited in the continental United States in any bank not belonging to the federal reserve system. This provision was construed by the Attorney General to permit the continuance in non-member banks of postal savings balances already on deposit, but to prevent the making of any further deposits in such banks.<sup>65</sup> The discontinuance of making deposits in

<sup>63</sup> Figures have been compiled from the annual reports of the Third Assistant Postmaster General.

<sup>64</sup> *Supra*, p. 49.

<sup>65</sup> Concerning this subject the Third Assistant Postmaster General said in his annual report for 1915 (p. 12): "No deposits have been made in non-member banks since November 16, 1914, the day the [federal reserve] system went into operation. The Attorney General of the United States has held that the inhibition on depositing postal savings funds in non-member banks applies only to funds available for deposit on and after the date when the system went into operation, consequently withdrawals from non-member banks have not been made except to meet the demands of the service."

non-member banks gave rise to much inconvenience and to an increase in the expenses of administration—evils which non-member banks were not slow to bring prominently before representatives in Congress. Carter B. Keene, Director of Postal Savings, said the restriction of deposits to member banks

resulted in the elimination of hundreds of state banks. In many instances it was necessary to send funds long distances to places where eligible banks were located. This worked embarrassment in the expeditious and safe administration of the service, and at the same time defeated the dominant thought that controlled the finances of the organic Postal Savings Act, that the deposits brought out of hiding should be released for commercial purposes in the identical localities where they originated.”<sup>66</sup>

A number of bills were introduced in Congress providing for the reauthorization of state banks as depositories, and finally a bill (H. R. 7967, 63 Cong., 2 Sess.), whose history has previously been narrated in connection with the discussion of the raising of the limits on deposits,<sup>67</sup> was passed by both houses of Congress, authorizing deposits of postal savings funds “in solvent banks, whether organized under national or state laws, and whether member banks or not of a reserve bank, . . . being subject to national or state supervision and examination. . . .” On September 11, 1914, President Wilson vetoed this bill, and communicated his reasons therefor in a veto message to Congress.<sup>68</sup> In this message he said:

When the Federal Reserve Act was passed it was thought wise to make the inducements to State banks to enter the Federal reserve system as many and as strong as possible. It was, therefore, provided in that act that government funds should be deposited only in banks which were members of the federal reserve system. The principle of such a provision is sound and indisputable. The moneys under the control of the government ought to be placed only in those banks which are most directly under the supervision and regulation of the Congress itself. It was recognized, also, that the scattering of government deposits in small amounts among too large a number of banks would in time of stress be of decided disadvantage to the federal reserve system, which seeks as much as possible to mobilize the financial resources of the country under one control. The bill which I now return repeals that provision so far as it might apply to funds accumulated in the hands of the government under the postal savings system. It is in this provision of the bill that I find myself unable to concur.

It is my clear conviction, very respectfully urged and submitted,

<sup>66</sup> *Com. & Fin. Chron.* A. B. A. Conv. Suppl., Oct. 14, 1916, p. 192.

<sup>67</sup> *Supra*, p. 66.

<sup>68</sup> House Doc. No. 1162, 63 Cong., 2 Sess.

that as a matter of principle as well as of policy we should strengthen and safeguard the new banking system very jealously with a view to the ultimate unification of the entire banking system of the country under the supervision of the Federal Reserve Board. It would, in my judgment, be a grave mistake to take away any of the benefits or advantages held out by the present law to member banks to enter the system, and to take them away just as the system is about to be put into operation and the promises of the act of last December made good to the banks that have entered.

A year and a half later, *i.e.*, May 18, 1916, the Postal Savings Amendment act was passed, which contained a compromise between the positions on this subject taken in the bill previously vetoed and in the veto message. This amendment, which is the present law, provides (section 2) that:

if one or more member banks of the Federal reserve system . . . exists in the city, town, village, or locality where the postal savings deposits are made, such deposits shall be placed in such qualified member banks substantially in proportion to the capital and surplus of each such bank, but if such member banks fail to qualify to receive such deposits, then any other bank located therein may . . . qualify and receive the same.<sup>69</sup>

In this connection it is interesting to note that the proportion of the depositories which were national banks was not very much greater on June 30, 1916, than on June 30, 1914, before the Federal Reserve Act went into effect, the respective percentages being 63 and 54.

The first two years' experience with depository banks taught some lessons which in the reorganization of 1913 led to certain administrative changes. The most important of these were the abolishment of the cumbersome system of "emergency credits" and the creation of a more efficient method of handling "out-of-town accounts."

*Abolition of postmasters' "emergency credits."* Each postmaster now as always is instructed to apportion his deposits of postal savings receipts among all the banks in his city or town, which are qualified as postal savings depositories, substantially in proportion to their respective capitals and surpluses.<sup>70</sup> All of

<sup>69</sup> The law as thus amended has been interpreted by the Counsel of the Federal Reserve Board. See *Federal Reserve Bulletin*, July 1, 1916, pp. 331-332.

<sup>70</sup> This system which is apparently essential to the meeting of two of the postulates of American postal savings—"keeping money at home" and satisfying "competing" banks—often becomes exceedingly cumbersome. Why this is

the postal savings funds so deposited are to be entered to the credit of the Board of Trustees of the postal savings system. Prior to July 1, 1913, however, there was one exception to this latter rule, and that was described as follows in the official regulations:

[This rule applies except for] an amount which will be specified by the Board as an emergency credit for use by each postmaster in meeting withdrawals by depositors when he has insufficient funds on hand for such purpose. The amount thus fixed will be deposited by the postmaster to his official credit in one of the depository banks especially designated for the purpose, to be subject to his official check as postmaster for the purpose mentioned only, and will be maintained by the postmaster at the amount specified by the Board of Trustees; by means of deposits from his daily postal savings receipts . . . The amount of emergency credit may be added to the regular quota assigned to a depository bank, . . . and shall be subject to interest payment . . .<sup>71</sup>

That the creation of such an emergency credit account in the name of each postmaster, at whose office there was a postal savings bank, was making a system already complex doubly so is evident. It gave rise to about 13,000 extra accounts and involved "endless correspondence, bookkeeping, and interest computing details."<sup>72</sup>

The "emergency credit" and all the individual postal savings accounts with banks in the names of postmasters, were done away with by the new regulations put in force July 1, 1913. In place thereof the expedient was adopted of designating in each place one bank upon which the postmaster was authorized to draw his checks against the postal savings deposit (in the name of the Board of Trustees) each month, to an amount specified, as a provision for emergency needs.<sup>73</sup>

true will be evident when one bears in mind that in most cities and towns the postal savings deposits each day are small, while in a large proportion of places there are several banks among which the postal savings funds must be apportioned. As early as 1912, for example, there were 40 qualified depositories in Chicago, 30 in Philadelphia, 19 in New York, and between 10 and 12 in a number of other cities. *Com. & Fin. Chron.*, A. B. A. Conv. Suppl., Sept. 21, 1921, p. 191.

<sup>71</sup> *Regulations for the Guidance of Banks Qualifying as Depositories of Postal Savings Funds*, etc., issued by authority of the Board of Trustees, 1911, p. 6.

<sup>72</sup> Carter B. Keene, "The Postal Savings System," *Com. & Fin. Chron.*, A. B. A. Conv. Suppl., Oct. 18, 1913, p. 196.

<sup>73</sup> *Instructions to Postmasters at Postal Savings Depository Offices*, 1913, p. 12.

*Out-of-town depositories.* Another cumbersome feature of the original plan which was greatly improved in the reorganization of 1913 related to the deposit of funds in banks outside of the local community, when there was no qualified depository bank in the place where the postal savings bank was situated. Originally postmasters in such places had been required to send their postal savings funds by registered mail to the nearest town having a qualified bank or banks, and to apportion their deposits among such banks (when there was more than one) substantially according to their respective capitals and surpluses. Under the new arrangement, the postmaster at the place having no qualified banks remits his postal savings funds by registered mail to the postmaster at the neighboring place having qualified banks, and the latter postmaster deposits these funds along with his own postal savings funds, in the proper proportion in the various qualified banks. Postmasters at non-banking offices now secure funds for meeting withdrawals of deposits by means of drafts on the postmasters to whom their remittances have been made.

*Collateral security.* The organic postal savings act of 1910 provided that the Board of Trustees should take from depository banks "such security in public bonds or other securities, supported by the taxing power, as the Board may prescribe, approve, and deem sufficient and necessary to insure the safety and prompt payment of such deposits on demand."<sup>74</sup> Securities acceptable under this provision have been interpreted to be limited to the "general obligations" of the political division issuing them and payable "without restriction or limitation to a special fund from the proceeds of taxes levied upon all taxable real and personal property within the territorial limits of such political division."<sup>75</sup> Shortly after the outbreak of the European war the Post Office Department was "virtually swamped" with requests to accept as collateral for postal savings deposits various kinds of temporary securities. In reply to these requests the Board of Trustees, November 19, 1914, adopted the following regulations:

<sup>74</sup> In the amendment of May 18, 1916, this provision was reenacted; but after the words "other securities" were inserted the words "authorized by Act of Congress or." This addition apparently had reference to the agitation for authorizing postal savings funds to be invested in the securities of federal land banks, the bill for the establishment of which was then before Congress.

<sup>75</sup> *Rulings of Board of Trustees*, Nov. 18, 1913, as modified by rulings of Nov. 19, 1914.

Obligations of the general class embracing what are commonly known as "revenue bonds," "temporary bonds," "temporary notes," "certificates of indebtedness," "warrants," and the like obligations, whether issued in anticipation of the collection of taxes, assessments, or other revenues, or of the sale of bonds or other obligations, or for similar purposes, will not be accepted as security for postal savings deposits: *Provided*, That in applying this regulation, consideration will be given to the legal status of the obligations submitted rather than the nomenclature employed in designing such obligations.<sup>76</sup>

Since the reorganization of 1913, the Solicitor for the Post Office Department (designated as the Assistant Attorney General for the Post Office Department prior to November 9, 1914) has passed upon the legal acceptability of all bonds submitted as security for postal savings deposits.<sup>77</sup>

The Board of Trustees in its first *Regulations for the Guidance of Banks*, issued December 31, 1910, made the following ruling<sup>78</sup> in regard to the securities acceptable for postal savings deposits:

The following described securities at rates respectively designated, will be accepted, [and no other] . . .

(a) Interest-bearing bonds of the United States, bonds issued by the Government of the Philippine Islands, and bonds of the District of Columbia and the Government of Porto Rico will be received at their par value.

(b) Bonds of any State of the United States and bonds of the Territory of Hawaii will be received at 90 per cent of their market value, such market value not to be considered as exceeding par.

(c) Bonds of any city, town, county, or other legally constituted municipality or district in the United States which has been in existence for a period of ten years, and which, for a period of ten years previous, has not defaulted in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it, and whose net funded indebtedness does not exceed 10 per cent of the valuation of its taxable property, to be ascertained by the last preceding valuation for assessment of taxes, will be received at 75 per cent of their market value, such market value not to be considered as exceeding par.

<sup>76</sup> Pamphlet published by Post Office Department entitled, *Determining the Legal Acceptability of Bonds Offered as Security for Postal Savings Deposits*, 1915. See also *Report of the Solicitor for the Post Office Department to the Postmaster General for the Year Ended June 30, 1914*, pp. 8-12.

<sup>77</sup> An account of his work in this connection and summaries of his decisions will be found in his annual reports.

<sup>78</sup> *Regulations for the Guidance of Banks Qualifying as Depositories of Postal Savings Funds, etc.*, issued by authority of the Board of Trustees, 1911, pp. 4-5.

No deposit of bonds for less than one thousand dollars will be accepted, nor will fractions of a thousand be received.<sup>79</sup>

In 1913, bonds in the group marked (b) were made acceptable up to their market value provided it was not above par value; and bonds in group (c), for cities having a census population of over 30,000, were made acceptable up to 90 per cent of their market value instead of only to 75 per cent as formerly. If the market value is above par they are acceptable only up to par. A fourth class of securities was designated at this time which are acceptable up to 75 per cent of their market value (unless the market value is above par value). This last class consists of securities meeting the conditions mentioned for class (c), except for the fact that they refer to places having a census population of not exceeding 30,000.

As collateral for postal savings deposits, municipal bonds have been by far the most popular type of security offered by banks; and the demand for high grade municipal bonds for postal savings collateral has been a substantial influence in the market for a number of issues. It is an interesting fact that not a dollar has yet been lost by the postal savings system through inadequacy of security given by depository banks.

*Rate of interest paid by depository banks.* Section 9 of the organic postal savings act says that the rate of interest paid by depository banks shall be "not less than  $2\frac{1}{4}$  per centum per annum, which rate shall be uniform throughout the United States and Territories thereof." Although there was considerable sentiment for a higher rate, the Board of Trustees, at its meeting of December 31, 1910, fixed the rate at  $2\frac{1}{2}$  per cent per annum payable January 1 and July 1 each year "upon the average monthly balances." The term average monthly balances was at first interpreted to mean the average of the balances held on the last of each month. Inasmuch as the balances were normally growing throughout the month, the amount on the last day was unduly high, and this method of computing led justly to complaints on the part of depository banks. The basis was accord-

<sup>79</sup> This minimum of \$1,000 worked a hardship on banks in small places having fourth class post offices; and, for banks in such places, the minimum was later reduced to \$500. Since July 1, 1913, the minimum initial deposit of bonds required from banks has been \$5,000 in a place with a first class post office, \$1,000 in a place with a second or third class post office, and \$500 in a place with a fourth class post office. *Regulations for the Guidance of Qualified Banks and Others, Effective July 1, 1913*, p. 4.

ingly changed to the average daily balance which has been generally satisfactory.

*Profits realized by banks on postal savings accounts.* Concerning the extent to which postal savings accounts have been profitable to depository banks it is unsafe to generalize. The profit varies with the prices of bonds acceptable as security; and the last few years have been years of unstable bond prices, and years of great uncertainty as to bond values in the future. It varies with the extent to which the deposits received will cover the collateral deposited; and it varies with the actual amount of deposits obtainable—in many cases the accounts are too small to be worth the trouble.<sup>80</sup> Many banks have not found it to their advantage to qualify as depositories, while others have realized good profits on such deposits,<sup>81</sup> and in many communities the competition for them is keen. The advantage of advertising oneself as a depository of United States postal savings funds is valued highly by many banks.

*Postal savings bonds.* A discussion of the postal savings system would be incomplete without a reference to the postal savings 2½ per cent bonds authorized by the act of 1910.<sup>82</sup> The primary object of these bonds, which are issued in denominations as low as \$20, is to provide a safe and convenient form of government security for the thrifty poor, and particularly for those whose deposits in the postal savings banks have reached the legal maximum. These bonds have been issued on the first day of each January and July since the postal savings system was put into operation, and the total issue up to the close of the fiscal year 1916 was \$9,151,800. Of this sum, approximately 86 per cent was, on request, issued in the registered form; which indicates, in the judgment of the Third Assistant Postmaster General, "that they were purchased for permanent investment."<sup>83</sup>

<sup>80</sup> The writer has on his desk a circular issued by a prominent bond house, in which are computed the rates of interest that would be realizable on the net investment in the case of \$100,000 par value of six different high grade bonds, against which it is assumed the maximum postal savings deposits allowed by the Department's regulations would be received. The rates per annum on the net investments vary from 4.8 per cent to 19.36 per cent.

<sup>81</sup> The banks often complain of the large "amount of red tape" that such deposits entail.

<sup>82</sup> The bonds are redeemable at the pleasure of the United States after one year from date of issue, and are payable twenty years from date of issue.

<sup>83</sup> Annual Report, 1916, p. 11.

On November 8, 1911, it was reported in the newspapers that some of these bonds had been sold at 92½. The report, which was apparently false,<sup>84</sup> caused some anxiety, and the Board of Trustees, who were authorized by the Postal Savings act (section 10) to invest postal savings funds in these bonds, promptly passed a resolution to purchase them at par upon the application of any holder, and to make immediate payment therefor in cash. Up to June 30, 1916, the board had purchased \$1,558,500 worth of these bonds.

### *Conclusion*

The postal savings system, despite the handicaps of a defective structure, has made substantial progress during the first six years of its history, and has rendered the country a real service.

When the Postal Savings act was passed the only plan that had the slightest chance of getting through Congress was a highly decentralized one which would use existing banks as depositories, and try to keep the money deposited in postal savings banks "at home." This philosophy of keeping money at home merely meant that the profits that were to be realized on the investment of postal savings funds should be given to local banks. Money is too fluid a form of capital to be "kept at home" if it is in greater demand in some other place. In 1910 it was less fluid in the United States than in most advanced countries. That was the time of a vigorous agitation for the reform of our currency and banking system whose chief defects were generally recognized to be immobility and inelasticity of currency and credit. The meaning of this was, in part, that reserves and bank credit were being kept too much at home when the public interest demanded a cheap and expeditious machinery for their prompt movement from places of redundancy to places of scarcity. But even under our defective banking system in 1910, money and bank credit were the most fluid forms of capital in the country, and were continually "leaving home." They are much more fluid in 1917 than they were in 1910, thanks to our federal reserve system, and our developing American discount market. The great bulk of the postal savings deposits are in large cities. For example, on June 30, 1916, New York City

<sup>84</sup> The *New York Times* of November 18, 1911, quoted Postmaster General Hitchcock as saying that "the only basis for the rumor of an actual sale at that price [i. e., 92½] was an offer . . . by a New York broker to purchase \$200 of the bonds below par, which was not accepted by the holder."

(including Brooklyn and Long Island City) had 24 per cent of the total postal savings deposits of the country. Does any one think that it is possible "to keep money at home" in our large cities by merely depositing it in commercial banks, or that it would be socially desirable to do so, if it were possible?

This brings me to the last point. Six years of postal savings history in the United States has shown that postal savings funds come largely from hoards and from accumulations that would otherwise be sent abroad by our foreign born. As previously noted, 86 per cent of the postal savings bonds purchased are in the registered form and presumably for permanent investment. All this seems to indicate that postal savings funds are more nearly capital funds than current business funds. Yet our depository system puts the great bulk of them into commercial banks. Should the system not be changed so as to divert a larger part of these savings into savings banks where they will be feeders for society's more permanent capital equipment?

At the present time this question is particularly opportune, for the evidence is strong that the next few years will witness a substantial increase in interest rates. This increase will bear heavily upon our mutual savings banks whose assets in the form of long-time bonds and mortgages are likely to decline in value at just the time that the higher interest rates payable on securities will be attracting funds away from savings banks into fields that appear to be more remunerative, *e. g.*, small denomination bonds. A more liberal use of savings banks as depositories for postal savings funds would assist these worthy institutions to tide over a troublesome period of readjustment. The type of depositor who uses the postal savings system is not the one who will be induced to withdraw deposits in order to invest the funds in securities yielding a higher rate of interest. To accomplish much in the direction suggested would require an amendment to the Postal Savings act. The fact that savings banks, with few exceptions, are not members of the federal reserve system is not a strong argument against this proposal, because there is no sound public policy in encouraging them to join as active members.<sup>85</sup> The federal reserve system

<sup>85</sup> A bill prepared by the Federal Reserve Board and now in Congress authorizes mutual savings banks not having a capital stock to become *associate* members of the federal reserve system, under certain prescribed conditions. It is a very desirable amendment. (*Federal Reserve Bulletin*, Feb. 1, 1917, p. 101.)

is primarily a system for commercial banks. Could not our best grade savings banks wisely be put on an equal footing, at least, with commercial banks which are members of the federal reserve system, with regard to qualifying as depositories for postal savings funds?

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## THE HISTORY OF THE TRADE DOLLAR

The issuance of the trade dollar by the United States in 1873 (and for several years thereafter) was in the nature of a commercial experiment. Similar experiments had been made in other countries, but the creation of the trade dollar was brought about by a different set of conditions and purposed a different end.

Despite its name, the trade dollar was not a coin in the accepted sense of the word. It was no more a coin than is the medal awarded an inventor, an athlete, or the producer of a patent food. It was no more a coin than a silver paper-cutter is a table knife. This fact, so profoundly misunderstood in the seventies by the public, by members of Congress, and by officials of the Treasury Department, makes the trade dollar and its history curiously interesting. Some account, therefore, of its introduction, its proposed functions, and its final abrogation and withdrawal may not be amiss.

In the autumn of 1872, the late Louis A. Garnett of San Francisco, the present writer's father—then manager of the San Francisco Assaying and Refining Works—laid before Dr. H. R. Linderman, Superintendent of the Philadelphia Mint, and subsequently the first Director of the Mint, under the act of 1873 establishing the Mint Bureau at Washington, the suggestion for the trade dollar.<sup>1</sup> Mr. Garnett gave to Dr. Linderman a memorandum of all the essential facts and technical details as to weight and fineness, which he thought would justify the experiment and insure its success.

The conditions that led to the suggestion were these. Mexico was and had been sending to San Francisco silver dollars in large but varying quantities. These were sold for gold at about  $7\frac{1}{2}$  per cent above the technical parity of the London quotations for bar silver, and were exported by our merchants and bankers to China, either as a direct remittance for account of the shipper or as a cover for bills of exchange drawn for Eastern or European account. For example, when the London quotation on fine silver

<sup>1</sup>In addition to promulgating the trade dollar, Mr. Garnett suggested the provisions in the coinage laws for the creation of the Mint Bureau, the repeal of the gold coinage charge, and the law regulating the valuation of foreign coins upon the intrinsic value. He was the author of *The Paris Monetary Conference of 1881 and Bimetallism; Facts and Fallacies Concerning the Doctrine of Protection*, and numerous other monographs on economic subjects and was a member of the Monetary Commission created by the Indianapolis Monetary Conference of 1897.

was  $28\frac{3}{4}$  d. or 68.02 cents per ounce, at which a Mexican dollar of  $377\frac{1}{4}$  grains of fine silver would be worth 49.53 cents, Mexican dollars were actually quoted in the San Francisco market at from 53 to  $53\frac{1}{2}$  cents or more than three cents in excess of the London price for fine silver and equivalent to a premium of  $7\frac{1}{2}$  per cent on the valuation of 49.53 cents, the bullion value of the silver contained in the Mexican dollar. It will be seen that, at this rate, the merchants and bankers of San Francisco were paying a large sum for the privilege of doing business in China with Mexican dollars, thereby making a market for Mexican silver while our own product of that metal was declined and excluded. The Mexican dollar was accepted by the conservative Chinese, and had practically become the money of account of China and Japan in their commerce with foreign nations, to the disadvantage of all other silver coins. It was thought highly important therefore that the trade in silver should be diverted if possible from Mexico to our own sources of supply.

These were the conditions, then, that suggested the promulgation of the trade dollar. In November, 1872, Dr. Linderman, in a report to the Secretary of the Treasury, stated all the facts and employed all the arguments to be found in support of the proposed experiment, in which he adhered strictly to the technical features embodied in the original memorandum submitted to him by Mr. Garnett. This part of the report is as follows:

It is not proposed to make the new coin or disk a legal tender in payment of debts, but simply a stamped ingot with the weight and fineness indicated. Its manufacture can, therefore, in no wise give rise to any complication with our monetary system, and neither in theory or principle differ in any respect from the manufacture of refined bars was authorized by law, except in being uniform in weight and fineness. The proposed coin or disk should weigh 430 grains and contain 378 grains of pure silver, the difference of 42 grains representing the alloy of copper, and the weight and fineness be stamped on the reverse of the coin. . . . In the event of the issue of the proposed coin it will be well to give it a title, as for instance Silver Union, differing from the coins representing our subsidiary and dollar of account.

It will be observed that the suggestion was made to call the new coin the "silver union" and not the "trade dollar." When this proposal was made the supply of Mexican dollars was irregular, unsatisfactory, and frequently embarrassing to commercial transactions, and the high premium they commanded was a severe tax upon our commerce. It was hoped that the new coin, by virtue of

its greater intrinsic value, its superior execution, and its absolute uniformity in both weight and fineness, would commend itself to general use in China and Japan. It was expected to relieve our commerce of a serious tax and to furnish an important outlet for our constantly increasing production of silver; and it might also be expected to lead to our arbitration of no inconsiderable portion of the European exchange with those countries.

The records of the engraving department of the Philadelphia Mint show that a number of tentative designs were made, probably by order of Dr. Linderman, prior to the date of his report recommending the adoption of the coin.

In proposing this new arbiter of exchange, its author took into account the established partiality of the Chinese for the Mexican dollar and their natural repugnance to all innovations. They had rejected some standard dollars, made in our mint in 1859-1860 for an experimental shipment, and had only recently discredited the new Mexican dollar because, though its intrinsic value had in no wise been affected, the devices had been somewhat changed. Mr. Garnett was therefore not without misgivings, but knowing that the proposed coin would be intrinsically about two mills more valuable than the Mexican dollar, more uniform in weight and fineness, and of superior artistic workmanship, his chief reliance was upon the acquisitive instincts of the Chinese and their aptitude for figuring out practical results in the way of trade. As the result proved, he was not mistaken in his calculations.

Though the coinage act, providing for the trade dollar, became a law on February 12, 1873, it was not until July of that year that the coinage of trade dollars was begun. Naturally the demand at first was moderate until it could be ascertained by our merchants and bankers how the new coin would be received in China. Official tests and assays were made by the Chinese government from the first shipment. The results were in the highest degree satisfactory, and were followed by a proclamation declaring the coin a legal tender. In 1877, four years after the introduction of the new coin, our consul at Hong-Kong furnished the Secretary of the Treasury with a report upon the trade dollar, in which he quotes the opinions of the two leading foreign banks in China—the Oriental Bank and the Hong-Kong and Shanghai Banking Corporation—to the following effect:

The United States trade dollar has been well received in China and is eagerly welcomed in these parts of the country when the true value of the coin is known. It is a legal tender at the ports of Foochow and

Canton in China, and also at Saigon and Singapore. Although not legally current in this colony, it is anxiously sought after by the Chinese, and in the bazaars it is seldom to be purchased. In proof of the estimation in which the trade dollar is held in the south of China, we need only state that the bulk of the direct exchange business between San Francisco and Hong-Kong (which is very considerable) is done in this coin, the natives preferring it to the Mexican dollar. Late advices from San Francisco report that so great is the demand for trade dollars for shipment to China, that the California Mint is unequal to the task of turning out the coin fast enough to satisfy requirements. This is, in our estimation, evidence powerful enough to convince the most sceptical as to whether the United States trade dollar has been a success or not. It is the best dollar we have ever seen here, and as there can be no doubt as to the standard of purity being maintained, it will become more popular day by day, and, we doubt not, ultimately find its way into North China where the people are more prejudiced against innovations.

No indorsement could be higher than this. Both of these banks were English corporations and as the English colony of Hong-Kong had but recently attempted to introduce a "metrical" dollar of its own, which had signally failed, it might be naturally expected that the success of the trade dollar was not particularly flattering to English pride, and that the declination to make our dollar a legal tender may have been, to some extent, influenced by chagrin. But according to the authorities here quoted, the natives preferred it to the Mexican dollar, and it circulated notwithstanding the want of official recognition.

Beginning in July, 1873, the coinage of the trade dollar steadily increased until 1878 when it incurred the enmity of the "friends of silver" who had just then restored the old standard dollar with which, it was alleged, this coin conflicted. The coinage of trade dollars for the fiscal years up to that date had been as follows:

1874 .....	\$3,538,900
1875 .....	5,697,500
1876 .....	6,132,050
1877 .....	9,162,900
1878 .....	11,378,010
Total .....	<hr/> \$35,959,360

From 1879 to 1884 the Philadelphia Mint continued to coin these dollars in small quantities, aggregating \$6,564, making the total coinage \$35,965,924.

We come now to the causes leading to the abrogation of the trade dollar. In the original suggestion it was considered im-

portant that the proposed disk *should not be made a part of or be in any way confounded with our monetary system*. It was, as has been stated, in no sense to be regarded as a coin or as having *any monetary function for local or domestic purposes*. It was intended to be simply an *adjusted* disk of silver, of uniform weight and fineness, and as a precaution against possible confusion regarding the limited functions of the new disks, it was definitely proposed that they should be stamped with some legend by which they would be known and distinguished from our legal tender coins, such, for example, as "silver union" or "silver arbiter." These discoid ingots of adjusted weight and fineness were to stand on precisely the same footing as the manufactured standard or fine silver bars, the depositor furnishing the silver and paying to the government the full cost of manufacture. Had this fundamental idea been adhered to, all the trouble that ensued would have been avoided.

During the last months of the period of two and a half years that the coinage act of 1873 had been pending in Congress, Mr. John J. Knox, then Deputy Comptroller of the Currency, undertook, at the direction of the Secretary of the Treasury, to formulate an amendment to the pending bill, authorizing the manufacture of the proposed disk. An attempt, however, had been made by some one in the department to alter the specifications and make it a "metrical" coin, in the face of the ill-fated English experiment in Hong-Kong, to which allusion has already been made. It was only by an extended telegraphic correspondence that Mr. Garnett was able to avert this action, which would have been fatal to the success of the proposed coin.

It is necessary to state here that the old silver dollar had been eliminated from the bill before it was presented to Congress, and that it was not at any time restored in any of the numerous reprints of the bill. The reasons for omitting it were given in full in the printed appendix of the original bill as submitted to Congress, as well as in the pamphlet of correspondence with mint and other experts shortly afterward published at the request of the House. The numerous allegations, therefore, which have been made against Senator Sherman, as chairman of the Finance Committee of the Senate, until they have become historical, charging him with the demonetization of silver, are without foundation in truth. What bearing these facts had upon the trade dollar will be hereinafter shown.

While this bill, which afterward became the coinage act of 1873, was still pending, a provision was introduced by Mr. Hooper for the coinage of a silver dollar. This was to have been a subsidiary dollar of 384 grains, and, like the fractional silver coins, was to be a legal tender for only \$5. This proposed dollar was finally stricken out as impracticable by the Finance Committee of the Senate, and the "trade dollar," as it was unfortunately decided to call the new coin, was put in its place.

Now, the last clause in the section (before this substitution was made) provided that the dollar piece, together with the fractional coins indicated, *should be a legal tender for the sum of \$5*. Thus, by the failure, due to a palpable oversight, to alter this clause so as to exempt the trade dollar from its operation, that coin was made a legal tender for \$5, which, as shown by Dr. Linderman's report, quoted above, was never intended by its author.

The circumstance attracted no particular attention at the time, nor when first discovered was it supposed to possess any significance. Even after the trade dollar began to be circulated to a limited extent among the more ignorant classes, the evil was thought to have been remedied when, by the act of July 22, 1876, the legal tender functions of the coin were repealed. But in the mean time the price of silver had broken badly, and the metal had entered upon the downward course from which it has never since recovered. In 1878, Congress restored the old "standard dollar" to its former place in our currency, and its friends, who, by some unaccountable mistake, had connected its demonetization with the substitution of the trade dollar for Mr. Hooper's subsidiary dollar (which, as we have seen, had been quashed in committee) joined in the raid of speculators who had begun collecting and buying up at a discount the trade dollars that had crept into circulation, declaring that the government was bound to redeem them since they had been made a legal tender.

In March, 1887, nearly eleven years after the legal tender functions of the coin had been repealed, and when silver had declined below 98 cents per fine ounce, or 25 per cent discount, Congress passed a bill compelling the government to redeem trade dollars at par in standard dollars, and at the same time repealed the authority for their further coinage.

The government redeemed under this act \$7,689,936. This sum was equivalent to 6,018,921 ounces of fine silver, which, at the average value for the year 1887 (\$0.97,832) was worth

\$5,887,889. In redeeming them, therefore, at par in standard dollars, the government simply gave a bonus of \$1,800,000 to the holders, as the same amount of silver could have been purchased for that much less than the sum disbursed, and converted into standard dollars. It is incredible that these dollars could have been taken by the holders through ignorance in payment of debts; they were, on the contrary, bought up at a discount before the passage of the redemption act, and in anticipation of such a measure. This is substantiated by the fact that up to July, 1876, when the legal tender functions of these coins was repealed, the total coinage had only reached \$15,418,450, of which \$12,580,000 had been exported, leaving only \$2,838,500 in this country, and *no trade dollars came back until 1879, three years later.*

In 1878, when the trade dollar was in use, the ratio of domestic and foreign specie exported was 82 per cent of the former against 18 per cent of the latter, represented by \$13,727,982 and \$3,011,650 respectively. After the suspension of the coinage of the trade dollar, the ratio was inverted and we subsequently exported many millions of dollars in foreign silver coin which might as well have been the American product instead of the Mexican.

It has been asserted that *all* the trade dollars came back to us. The following summary of the coinage and export of these coins, taken from official reports, will best answer such statements.

Total coinage of trade dollars .....	\$35,965,924
Total export of trade dollars .....	29,358,292
Amount retained .....	6,607,632
Trade dollars returned by import .....	2,074,812
Amount stocked .....	8,682,444
Redeemed by U. S. Treasury .....	7,689,036
Unaccounted for (probably used in the arts) .....	993,408

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## REVIEWS AND NEW BOOKS

### General Works, Theory and Its History

*Outlines of Economics.* By RICHARD T. ELY, THOMAS S. ADAMS, MAX O. LORENZ, and ALLYN A. YOUNG. Third revised edition. (New York: The Macmillan Company. 1916. Pp. xiii, 769. \$2.10.)

A thoroughgoing revision of this useful text has been made by the same editors who had charge of the second edition. "Professor Young has had general editorial supervision of the revision as a whole." The plan of the book, as well as the underlying theory is unchanged. A chapter on Labor Legislation has been added. The chapter on the Economic Activities of Municipalities has been omitted; that on the Relation of the State to Industry is missing, but a considerable part of its content is transferred to an earlier chapter. There is a new section on social insurance, also, and there are minor changes in the arrangement of chapters and parts of chapters. Not all of these changes commend themselves to the teacher. In the new text, for example, the chapter on wages is separated by two chapters from the concluding discussion of the theory of distribution, and the alternative theory of socialism is not met until three intervening chapters have been covered. From the pedagogical standpoint, the best plan in handling this difficult subject of distribution would seem to be to present it as a compact and interrelated whole, with all needed introductory matter in earlier, and all subsidiary and corollary material in later, chapters. There should be no diversion of student interest or dissipation of thought energy while this important theoretical discussion is before the class.

Praiseworthy efforts have been made to bring the text to date, account being taken of the new economic legislation and of industrial changes in the last eight years, as well as of the flood of new literature in governmental documents, reports of commissions, and the book output of the period. Examination of the changes made necessary by such developments amaze one by their all but ubiquitous frequency. Few subjects are untouched and while the rural credit associations law of July, 1916, has been included, there are later important developments which could not be incorporated; *e.g.*, the Adamson law and the new federal workmen's compensation act. It is literally true that such a text is in need of re-

vision before it ever reaches a class-room. The attempt to include such a press of new matter has resulted, frequently, in extreme compression. This is markedly true, for example, in the seven pages devoted to the newly included subject of social insurance (p. 587 *et seq.*). The difficult and important subjects of sickness, old-age, and unemployment insurance are handled in from twenty to thirty lines each. The paragraphs are models of compact statement, of the art of compressing much into few words and phrases. But can we rightfully expect large results from offering such paragraphs to college sophomores? May not a question be raised, in this connection, as to the position of the hard-pressed college instructor who has no such device as a joint board of editors to resort to in the face of the great volume of economic materials and developments? When syndicalism, for instance, must be treated in fourteen lines (p. 631) is it not time to discuss the overcrowded character of the course and text, and the desirability and possibility of relief? This could be attained by omission; by relegating some subjects to a preliminary semester's work; or by restricting the field of sophomore-year work and selecting a part of this superabundant material for the status of advanced work. "Rich diversity and spacious amplitude" have outgrown in their ceaseless expansion the possibilities of a one-year course.

Consideration of certain important omissions reinforces this query as to the propriety of revision of the field covered. I have found in the text no adequate discussion of the theory of the shorter hours movement, and the wage problem thus raised. Yet recent developments demand that every citizen understand it. There is no mention of the constitutional controversy in the minimum wage discussion, yet the delayed decision of the federal Supreme Court will soon arouse a flood of public discussion on the subject. There is no positive theoretical attack on the thorny subject of unemployment, an omission the more regrettable since it is stated to be an important socialistic point of attack (see p. 633) and since such discussion is needed as a basis for the discussion of unemployment insurance. Not to multiply illustrations unduly, there is no adequate consideration of the current development of scientific management (but see p. 117) with its relation to trade unions and to wages and profits. Yet this is a subject which an alert class will hardly allow an instructor to forget. And these all are subjects inherent in the theoretical analysis of

the current economic situation, which seems to be the essential business of an introductory course.

Changes in doctrine are relatively few. This is evidenced by the fact that the chapters on distribution are unchanged, except that profits receives a new treatment. Wages of management is handled as before, but the balance of such income becomes "pure profits" and is explained as due to the fact that "competition does not work perfectly" and that economic activity is not reduced to "sheer routine." There is an enlarged emphasis on subjective value also, the phrase "normal value" gives place to "normal price," and there are some changes in definition. A wished for change in the statement that rent, wages, and interest are "prices paid" is not granted us. Yet experience with the text shows that it makes unnecessary confusion. These incomes are more frequently "imputed" or "ascribed" than "paid." Space should be found to extend a cordial welcome to a bit of splendid and helpful exposition in the rewritten and much improved chapters on money. In the section headed *The Mechanism of General Changes in Prices* (p. 325), the student's attention is directed to the process by which the changes work out; he is taken into the banks, factories and markets, so to speak, and aided in thinking about what happens there. This is a method of exposition of which, for its stimulus to active thinking and its impress of reality, we cannot have too much. And to many teachers this section must come as a response to a felt need.

Certain controversial matter will arouse dissent and interfere with the acceptance of the text. This is true of the discussion (p. 508) of the admittedly controversial doctrine of the possibility of definitely apportioning railroad revenues. Those who have labored through the much vaunted "complete apportionment" in the Wisconsin case of *Buel v. C. M. and St. P. Railway*, will have good ground for feeling that state pride influenced the inclusion and support of the doctrine. Dissent may be expressed also to the statement (p. 632) that government ownership spells socialism. This unnecessarily prejudices the discussion of the desirability of government ownership. And few socialists allow that with the great inequality of incomes in government service and the maintenance of bondholders' rights, this can be called socialism. And again, it does not increase one's allegiance to the text to read the unrevised statement that the labor organization "is brother to the trust, akin to the combination, and thus not untainted with

monopoly. One of the most searching criticisms directed against the labor organization is that it exhibits all the evil tendencies of monopoly." Monopoly means control of prices through control of supply and the above stark statement accords ill with the discussion (p. 431) of the supply of labor. Even the employers' associations do not accuse the unions of controlling birth-rates and immigration streams and no lesser control can make them "brother to the trust." It is difficult also to make this statement accord with the sympathetic discussion (see p. 472) of the labor clauses of the Clayton anti-trust act. If the union "exhibits all the evil tendencies of monopoly" it might be expected that anti-trust laws would "throw a cloud" upon the movement. Yet there is implied dissent here. Finally in the discussion of the unearned increment (p. 422) are statements which ring strangely. The fact that "the increase in land values can be foreseen" and "taken into account and discounted," can hardly be expected to prove that "it can rarely be unearned." A spendthrift heir who foresees and trades on the approaching death of his parent hardly by that token deserves or earns his inheritance. Yet he may "translate it into present worth" and add it to his debt-incurring capacity. The phrasing is at least unfortunate as an offering for sophomore discrimination.

Experienced teachers of the text may find cause for regret that there has not been thoroughgoing revision and exorcism of the underlying revolutionary philosophy. The federal reserve legislation was not so much revolutionary as an adjustment of banking structure to the facts of industrial revolution. In workmen's compensation our wave of legislation was not the result of attention to European practice, nor yet of sheer intellectual consideration of human rights and abstract justice; it came because industrial evolution had changed the basic organization on which the older individualistic philosophy depended. Where, as on the farms, that basic organization persists, the older practice of individual responsibility persists. It is high time that this result of our historical economics were incorporated into current belief—into the everyday, customary apprehension of the American citizen. Which is to say that our sophomore economic students are entitled to know that changes in economic legislation are, and in the future will repeatedly become, essential because of progressive industrial evolution, by the necessity of adjusting our laws and social machinery to the enlarged areas of production and compe-

tion, to the greater density of population, to the increased complexity and diversity of classes. It is not a revolutionary change in social relations, nor yet a revised standard of justice that causes changes. It is rather the sensible and necessary fitting of the legislation to vast changes in industrial and social organization. And our texts in elementary economics should give the support of such plain and sensible teaching to the needed changes in railroad and labor laws, as well as in other fields. It should be added that in the new edition much gain has been made in this direction by minor revision and excision.

Few changes due specifically to the use of the text in college courses appear. The final chapter on the History of Economic Thought is presented, with slight changes, as Appendix A, displacing the slightly useful Statistics of Public Expenditures. And the old Appendix B with its lists of subjects and titles gives place to Suggestions for Students and Teachers, consisting very largely of a classified and well-considered bibliography. The meager index of the second edition is very much enlarged and correspondingly more helpful. The "references" appended to chapters have been revised and account taken of recent literature. But the lists of questions are often unchanged or are shortened. This is surprising considering the large output of exercise books and student manuals in economics. Moreover, in at least three universities the lists in question have been tried and found not serviceable. They frequently demand use of unavailable references, since the general class is large and the minimum amount of exercise and problem material based directly on the text is included. It would seem that student manual literature impressed the authors rather less than any similar volume of literature in which they might have been expected to evince interest. Yet these questions can be made serviceable and the space thus filled could unquestionably be better used.

Final conclusions from reviewing this book are that the text while maintaining its identity has yet grown not in size only but in character and maturity; that it has been successful in including a vast amount of new material, in taking account of recent developments, and in thoroughly revising all sections. If not up to date today, it is as near being so as we can expect in these days of rapid development. Criticisms are due to the inclusion of controversial matter; to the attempt to be all inclusive; to a strain of revolutionary philosophy; and to the fact that the text

is written from the standpoint of the subject and of scholarship rather than with an eye single to the student and the class-room.

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*Current Economic Problems. A Series of Readings in the Control of Industrial Development.* Edited by WALTON HALE HAMILTON. (Chicago: The University of Chicago Press. 1915. Pp. xxxix, 789. \$2.75.)

*Exercises in Current Economics.* By WALTON HALE HAMILTON. (Chicago: The University of Chicago Press. 1916. Pp. xii, 105. \$.50.)

These *Readings*, and the *Exercises* which Professor Hamilton has prepared to be used with them, reflect unmistakably the idea that the inductive method is the best one to use in the teaching of economics. Two questions assert their right to consideration, at the outset, in any judgment of the book. First, Is the inductive method, alone, without the use of any text except a book of readings (backed up by printed problems and questions), the most economical and effective method? and secondly, granting that it may be, Is this book, in the hands of the average teacher, likely to be a suitable instrument and medium of instruction?

The reviewer is torn between admiration of Professor Hamilton's industry and his ferret-like power to smell out stimulating passages in the most obscure byways of economic literature—and some that is not economic—and a feeling that somehow this industry and the undoubted keen analytical power behind it would have been turned to better advantage had they been directed to the production of an original book. Professor Hamilton, under a natural, but perhaps extreme, reaction against the conventional methods of economics instruction, has gathered together 382 selections, varying in length from a few lines to a very few pages (the average length is  $2\frac{1}{3}$  pages), divided into 96 subgroups, and 14 chapters. At the very start of his introduction, he raises the old question, but certainly one which is philosophically and practically fundamental to any constructive social science today, whether there are "problems" or only a "social problem." His *selections* deal with "problems"; scarcely, if at all, with the social, or economic, problem—perhaps because so little has been written in economic literature from the viewpoint that society is an organic whole. But *his own viewpoint* is that of the unity of

all economic processes and relations. Speaking of the questions covered by the selections, he says that "as separate problems they are merely aspects of a larger reality . . . each involves something of almost every phase of our complicated life." And again, "their essential unity makes the word 'problems' in the title unfortunate." "The object of this volume," he says, "is to present a general view of the whole as a necessary preliminary to the study of particular problems."<sup>1</sup>

The book is thus paradoxical. The solution of the paradox can be found only in the personality and ability of the teacher. The editor's own main introduction and his chapter introductions are admirable in their content, and especially in their design to link the material together. But in and of themselves they are far from adequate to any such task. It is just here that the main question as to the validity and desirability of an inductive method, rigidly adhered to, comes. Can the student, no matter how able the teacher, or how small the class, get from "readings" and class discussions, without the aid of a unifying text and piloting and summarizing lectures in some considerable number, anything like a conception of the unity of social problems, or much of that ability at *continuous* thought, driving through to essentials, which is absolutely necessary if economists are to be very far ahead of the superficial journalistic enthusiast in their treatment of vital questions? One cannot escape the fear that a book of abbreviated paragraphs may have much the same influence as our American newspaper and popular magazine—to aid still further in the destruction of what little power of sustained attention and thought our choppy and overloaded public school curriculum has left us.

The fundamental adverse criticism is, then, *cui bono*? And this is directed not at Professor Hamilton's avowed purpose, which is right, but at the means he has chosen—or perhaps it is the rather a criticism of the whole conception of the purpose, if there be a purpose, which actuates the teaching of economics in this country. We start off with the "antecedents of modern industrialism." Very good—we need a historical background. Then we study the industrial revolution, and pass to social control in modern industrialism. Here, glancing at the "nature of progress" in passing, we read some thirty selections, the main tenor of which is the conflict between *laissez faire* and state control. Then we take up "the pecuniary basis of economic organization." Thus

<sup>1</sup> Italics the reviewer's.

far a sense of unity and continuity of economic phenomena does not desert us. But from here on that sense is largely missing. We apparently relapse into specific study of specific problems—the business cycle, international trade, railway regulation, monopoly, population, economic insecurity, trade unionism, social reform, and taxation. The list reads like the table of contents of the “applied” part of any text in economics; and suggests the thought that most of our texts and courses finally get lost in a maze of details. Suppose a student gives a year to these 90-odd topics and subtopics. If he is going on to advanced courses in economics, does he need this sort of sight-seeing trip through all the beaten highways of economic “problems”? We leave this unanswered. *But if he is not going on, this is not the kind of pabulum he should have.* This is true whether this book is to be used in the introductory course or in a second survey course. Somewhere in our teaching of economics we ought to lead the student out of the trees and give him a view of the forest. Sometime, amid all the welter of specific problems, he should be led to consider political economy, social economy, *world* economy, in those large wholes, and in that wide perspective, which alone can make the study of social science really constructive.

The reviewer cannot escape the fact that the average college student's time is limited to four years, that our high school curriculum, in its lack of adaptation to the modern fundamentals of a social education, does not equip the student either with knowledge or interest to think about social problems, let alone “the social problem,” and that, moreover, the college curriculum itself is cluttered with requirements of logical and traditional, but doubtful, value, when measured by the demands society must make upon knowledge and mental vision. Social science departments should aim first of all not at the production of special experts, even in embryo, nor yet at the orientation of the student in every social and economic problem that happens to be troubling the community, but at bringing the student to a consciousness of the irony of the world situation and to a search for its causes. Unless we, teachers and students alike, make a mighty attempt to see economic and economico-moral situations and values not only in national but, far more, in world perspective, we might nearly as well convert our social science departments into business colleges—a tendency which has already gained gratifying headway.

Professor Hamilton will doubtless be the first to agree with this

conviction. We are questioning the purpose and the vision of economics teaching as a whole, not Professor Hamilton's purpose. But we do question his method and his medium, and doubt whether very many teachers will be found capable of making them really work. One thing is sure: such a book will either have to be used without a text and made practically the whole basis for discussion (in which case the chances are, under any ordinary teacher, that the student's knowledge and grasp of economic problems will be like the book, exceedingly choppy) or, if used as reading collateral to a text, the student will be baffled and confused by the array put before him. It was perhaps a feeling that this difficulty might be encountered that led Professor Hamilton to prepare the book of exercises.

It would perhaps be an exaggeration to say that the European war, partially revealing as it has the insecurity and hollowness of our social organization and the illusory character of what we call civilization, has rendered every text in social science thus far published out of date—but it would not be a very great exaggeration. Let us hope that Professor Hamilton will have early opportunity to revise or enlarge this book. Then may we not expect him to give over his conventional treatment of international trade and include some selections to point the way to the relation of trade rivalry to diplomacy and war. And to include a longish chapter on consumption? And to indicate that the "control of industrial development" is wrapped up with the psychology of profits, of nationalism, of materialism?

A. B. WOLFE.

*University of Texas.*

#### NEW BOOKS

BIZZELL, W. B. *The social teachings of the Jewish prophets; a study in biblical sociology.* (Boston: Sherman, French. 1916. Pp. 237. \$1.25.)

FETTER, F. A. *Modern economic problems. Economics*, vol. II. Part I. *Resources and economic organization.* (New York: Century Co. 1916. Pp. xi, 498. \$1.75.)

To be reviewed.

FETTER, F. A. *Manual of references and exercises in economics for use with volume I, "Economic principles."* (New York: Century Co. 1916. Pp. 46.)

GILL, C. *National power and prosperity. A study of the economic causes of modern warfare.* (London: Unwin. 1916. Pp. xxxvii, 81.)

KELSEY, C. *The physical basis of society*. (New York: Appleton. 1916. Pp. xiii, 406. \$2.)

To be reviewed.

KLEENE, G. A. *Profit and wages. A study in the distribution of income*. (New York: Macmillan. 1916. Pp. iv, 171.)

To be reviewed.

O'HARA, F. *Introduction to economics*. (New York: Macmillan. 1916. Pp. vii, 259. \$1.)

PARSONS, E. C. *Social rule*. (New York: Putnams. 1916.)

RUSSELL, B. *Principles of social reconstruction*. (London: Allen & Unwin. 1916. 6s.)

RYAN, J. A. *Distributive justice. The right and wrong of our present distribution of wealth*. (New York: Macmillan. 1916. Pp. xviii, 442. \$1.50.)

To be reviewed.

SCHELLE, G. *L'économie politique et les économistes, avec une introduction sur l'économie et la guerre*. (Paris: Doin. 1916. Pp. 400. 6 fr.)

TREVER, A. A. *A history of Greek economic thought*. (Chicago: Univ. Chicago Press. 1916. Pp. 161. 75c.)

The author well says in his short preface which dates the volume (November 1, 1915) that a study like his of Greek economic theory may serve the double purpose of awakening Greek scholars to phases of Greek thought too little regarded by them and of reminding modern economists how much they have in common with the Greeks. In economic histories it is certainly the difference rather than the common element that receives emphasis.

The ground has probably never been surveyed so thoroughly by an English or American writer, nor even by any foreigner. Dr. Trever confesses his own sympathy with the general attitude of Greek writers towards economic subjects, so far as their writings can be said to show a general attitude. To use his own words he "reinterprets Greek economic theory in the light of our modern humanitarian economy" (preface). The latter turns out to mean broadly the economic views of Ruskin; and criticism of Dr. Trever in the matter of first principles would be the criticism usually directed by economists against Ruskin. Our author's adhesion is not indiscriminating (see pp. 64 and 92, note), but to some of us his estimate of Ruskin will have the same exaggeration as Ruskin's estimate of Xenophon (p. 64). It is "to be remembered at the same time that the expositor is not called upon to set forth his own positive views fully. We have the materials fully presented for our own judgment. Even the minor works and authors are gathered in.

The printer has served our author well. In the numerous Greek quotations the slips are few and not vital. The projected history

of Greek economic conditions (see preface) would seem a natural counterpart to this book, and even if having less novelty will certainly be instructive. Economic theories least of all theories grow up in *vacuo*.

JAMES BONAR.

*Five hundred practical questions in economics. For use in secondary schools.* By a special committee of the New England History Teachers' Association. (Boston: Heath. 1916. 25c.)

### Economic History and Geography

*Readings in the Economic History of the United States.* By ERNEST LUDLOW BOGART and CHARLES MANFRED THOMPSON. (New York: Longmans, Green and Company. 1916. Pp. xxvii, 853. \$2.80.)

Students of economics in general will find this book useful as a guide to material if not a small storehouse of data, as will also those college classes in American economic history for which it is primarily designed. The material here gathered into convenient compass, though filling 850 pages, is virtually all drawn from contemporary sources, largely official documents and accounts of investigators and observers; and illustrates conditions in this country regarding such main points as agriculture, manufactures, the tariff, transportation, money, banking, the labor movement, and population.

A comparison with Callender's *Selections from the Economic History of the United States, 1765-1860*, shows that this later collection of readings is by no means a duplicate of the former. The present volume covers wider ground, as it traces the main lines of economic development from the beginning of colonization to the present. The greatest emphasis is laid on the period between 1808 and 1860, over one half the book being devoted to that, and one quarter each to the years before and the years since. Though of necessity some references here are the same as in Professor Callender's book, yet for the most part Dr. Bogart and Dr. Thompson have included an impressive number of different readings and have made a different emphasis. For instance, the fourteen texts illustrating the westward movement, 1817-1860, are all drawn from other sources than those in Callender's on the same topic; again, four documents are devoted to the matter of paper money during the Revolutionary period where the earlier book gives one.

A rare paper (p. 26) concerning the British system of granting

lands (1773), taken from the Earl of Dartmouth MSS., is especially noteworthy. Exigencies of space probably required that only half a page be given to such an important business as the fur trade. The whole is outlined and edited with admirable definiteness. Each text is preceded by a brief, illuminating note that gives the setting of the article; and the thing to be learned from each article is made the heading for the selection rather than the title of the book from which it is taken, a device that will prove helpful to the undergraduate mind, at least.

The task of selection, as the authors say in the preface, was the great difficulty. To show how well this has been met, one may cite the four readings on trusts: "The Tendency to Consolidation, 1901," from the report of the Industrial Commission; "The Causes of Consolidation, 1901," by the Commissioner of Corporations; "The Alleged Advantages of Combination, 1897," from the report of a joint committee of the New York legislature; "Effects of Industrial Combinations upon Prices and Wages, 1900," by J. W. Jenks, in a bulletin of the Department of Labor.

There is an excellent index. No bibliography has been included as the footnotes furnish all necessary information.

AMELIA C. FORD.

*Milwaukee-Downer College.*

*La Legislacion Inmobiliaria Tunecina.* By ERNESTO QUESADA.  
(Buenos Aires: Academia de Derecho Y Ciencias Sociales.  
1915. Pp. 867.)

This work is so important that, although a review of it in the proper sense is out of the question, from lack of space and its method of treatment, it should be called to the attention of students of the subject. The book is the first of a proposed series of about twenty volumes intended to give the results of an examination of the land tenure systems of countries which have adopted the Torrens system of registration. The investigation was undertaken by Professor Quesada on commission from the Argentinian government in order to lay a foundation for land reform in Argentina. The purposes were both fiscal and economic: to secure a system of easier transfer, better adapted to taxation; and also to furnish a better basis of land credit, and lower the rates of interest on mortgages.

Professor Quesada set out with characteristic thoroughness to make the inquiry world wide and complete. In preparation for

his work he visited practically every country where the Torrens system prevails in whole or in part, from Austria to Australia, New Zealand, Singapore, Philippine Islands, Hawaii, and the United States. An investigation of the system of Tunis was obviously proper, not only because the Torrens system is in use there, but because Tunis is a French protectorate with laws more or less similar to those which obtain in all countries that have derived their legal systems ultimately from the Civil Code.

When introduced into the protectorate of Tunis by the French government, the Torrens system met with considerable opposition from the Mussulman subjects. Gradually, however, it has won its way into their confidence so that it has established a feeling of security of proprietary rights even among the Arabs.

The work is virtually a commentary on the Tunisian land code. It recites the code article by article, and follows each with critical comments, with a view to Argentinian conditions.

First established in 1885 the code has been amended in succeeding years, and in the author's opinion has produced results of great importance to the protectorate. Under the law there have been registered 1,012, 652 hectares, with a value of 163,936-469 francs. Certificates of title have been issued to the number of 17,095, concerning which Professor Quesada makes the significant remark that they are like "fiduciary money" because they are eagerly demanded as a basis of credit.

The system has justified itself by making possible agricultural projects for the improvement of the soil, the erection of municipal works, and "a thousand manifestations of colonial expansion, in these 29 years." Of the 11,900 applicants for registration under the law between 1886 and 1911, 4,775 were Arabs, 3,313 were French, and 3,812 were foreigners. The author calls experience under the law "a true sociological experiment in the living laboratory of a whole people." He describes in detail the required legal procedure under the code and some of the economic consequences of the system. The definition of real property under the law, registry, security, and transfer of title, copyhold, mortgages legally and economically viewed, and servitudes, are among the principal topics. The author discusses not only the existing law, but projected reforms. Among the most interesting of these are three proposals for the reorganization of the mixed tribunal or court of French and Arabs before which cases under the land system come. All three proposals show the tendency so common in projects for administrative reform—to create an organization

complex enough to provide mechanically for all details. Professor Quesada criticises these projects as being too detailed to work well. His comments and criticisms, both legal and economic, show wide knowledge, perspicacity and good judgment. An appendix to the book is a description of the topographic service of Tunis.

This work should be on the reference shelves of students of land tenure. It is, indeed, monumental in its conception and thus far in its execution shows a thoroughness that has usually not been attributed to writers on this side of the Atlantic.

DAVID KINLEY.

*University of Illinois.*

#### NEW BOOKS

ALVORD, C. W. *The Mississippi Valley in British politics. A study of the trade, land speculation, and experiments in imperialism culminating in the American Revolution.* Two volumes. (Cleveland: The Arthur H. Clark Company. 1917. Pp. 358, 396. \$10.)

To be reviewed.

BARKER, J. E. *The foundations of Germany; a documentary account revealing the causes of her strength, wealth and efficiency.* (New York: Dutton. 1916. Pp. 289. \$2.50.)

BLAKESLEE, G. H., editor. *Problems and lessons of the war.* (New York: Putnam. 1916. Pp. 424. \$2.)

Among the subjects discussed are "The economic position of the United States at the close of the war" and "Economic aspects of the war."

BOUCHER, C. S. *The nullification controversy in South Carolina.* (Chicago: Univ. Chicago Press. 1916. Pp. xi, 399. \$1.50.)

"So much attention," says Mr. Boucher, "has been given to speculations on the theory of nullification from the standpoint of the theory of political science, that the history of the party contest has been neglected." To remedy this defect he gives us a long narrative in which every phase of nullification is treated in detail. Newspapers and the manuscripts of Jackson, Poinsett, and James H. Hammond form the chief source of information: and the book shows that they have been used industriously and with discrimination. It has, also, the distinction of presenting the story of nullification in a strictly neutral manner. Most writers who have told the story have not been able to conceal a leaning for either the national or the South Carolina side of the controversy. The burden of the book is the internal political conditions in South Carolina, and much is said about the uniform sentiment in the state, as revealed in the newspapers. Lack of emphasis is an obstacle against which the reader of this book must struggle. It mars what is otherwise an excellent narrative of an important incident in our history.

J. S. B.

- CASSEL, G. *Germany's economic power of resistance*. (New York: Jackson Press. 1916. Pp. viii, 80. 50c.)
- D'AUTREMERE, J. *The Japanese empire and its economic conditions*. Translated from the French. (London: Unwin. 1916. Pp. 319. 5s.)
- DICKINSON, G. L. *Economic war after the war*. (London: Union of Democratic Control. 1916. Pp. 20. 2d.)
- DRYER, C. R. W. *Elementary economic geography*. (New York: Am. Bk. Co. 1916. Pp. 415. \$1.28.)
- FAULKNER, H. U. *Chartism and the churches. A study in democracy*. Columbia University studies in history, economics and public law, LXXXIII, 3. (New York: Longmans. 1916. Pp. 152. \$1.25.)  
To be reviewed.
- FAYOLLE, B. *Les forces économiques des puissances belligérantes avant la guerre*. (Paris: Berger-Levrault. 1916. 0.60 fr.)
- HAYEM, J., editor. *Mémoires et documents pour servir à l'histoire du commerce et de l'industrie en France*. Vol. 4. (Paris: Hachette. 1916. Pp. xxxi, 319.)
- HUVELIN. *History of continental commercial law*. (Boston: Little, Brown. 1916.)
- INSULL, S. *The progress of economic power generation and distribution*. (Chicago: S. Insull. 1916. Pp. 55.)
- JACK, J. C. *The economic life of a Bengal district; a study*. (New York: Oxford Univ. Press. 1916. Pp. 158. \$2.50.)
- JONES, C. L. *Caribbean interests of the United States*. (New York: Appleton. 1916. Pp. viii, 379. \$2.50.)  
To be reviewed.
- KOHLER, M. and WOLF, S. *Jewish disabilities in the Balkan States*. Publications of the American Jewish Historical Society, no. 24. (New York: Jewish Historical Society. 1916. Pp. xi, 169.)  
Describes the efforts of the United States to bring about a reform, with particular reference to the Congress of Berlin.
- LE BARBIER, L. *La côte d'ivoire agriculture, commerce, industrie, questions économiques*. (Paris: Larose. 1916. 5 fr.)
- LEHFELDT, R. A. *Economics in the light of war*. (London: Wesley. 1916. Pp. 56. 1s.)
- MCCANN, M. A. *The history of Mother Seton's Daughters, the sisters of charity of Cincinnati, Ohio, 1809-1917*. Three volumes. (New York: Longmans. 1916.)
- MCCLELLAN, G. B. *European economic policy*. (Princeton, N. J.: Falcon Press. 1916. Pp. 59.)

MILLETT, F. B. *Craft-gilds of the thirteenth century in Paris*. Bulletin of the department of history and political and economic science in Queen's University, Kingston, Ontario, Canada, no. 17. (Kingston, Ont.: Jackson Press. 1916. Pp. 23.)

MILLIQUIN, M. *The ruling caste and frenzied trade in Germany*. (Boston: Houghton Mifflin Company. 1916. Pp. 159. \$1.25.)

Although written by a neutral, this book is less reserved in tone than the one by Naumann, noted below, and also less important. The author's criticism of German politics covers ground that has been already pretty thoroughly traversed (by Professor Veblen among others); and his assertions of the economic motives driving Germany to the war, while they accord with common suspicions, still lack convincing proof.

C. D.

NAUMANN, F. *Central Europe*. Translated by C. M. Meredith. (London: King. 1916. Pp. xix, 354. 3s. 6d.)

Professor Ashley's introduction to this translation of *Mitteleuropa* says that it is "far and away the most important book that has appeared in Germany since the world-conflict began." Whatever influence it may exercise on the formation of a great commercial state from the central powers and their dependent territories, the book deserves a place of its own. It is agreeably written and is in large part free from the partisanship and passions which the war has excited. It is a thoughtful study of recent economic and political history, and a courageous attempt not only to formulate the problems of the near future but also to indicate some of the conditions of their solution. Those who are interested in contemporary politics and commercial policy will find the book interesting and profitable.

C. D.

NEWELL, E. T. *The dated Alexander coinage of Sidon and Ake*. (London: Oxford Univ. Press. 1916. 12s. 6d.)

OLCOTT, C. S. *The life of William McKinley*. Two volumes. (Boston: Houghton Mifflin. 1916. Pp. xvi, 400; viii, 418.)

PERREAU-PRADIER, P. and BESSON, M. *La guerre économique dans nos colonies*. (Paris: Alcan. 1916. 3.50 fr.)

PINGAUD, A. *Le développement économique de l'Allemagne*. (Paris: Berger-Levrault. 1916. 0.75 fr.)

QUESADA, E. *La nuevo Panamericanismo y el Congreso Científico de Washington*. Review of the University of Buenos Aires, vol. 32. (Buenos Aires: Ministry of Agriculture. 1916. Pp. 364.)

This is a report to his government by Professor Quesada of the proceedings of the Pan American Scientific Congress, held in Washington in December, 1915. Naturally, the work deals so much more largely with other parts of the program than the economic, that an extended notice in this REVIEW would be hardly appropriate. The main interest lies in the author's view of what he calls the Wilsonian doctrine of the new Pan-Americanism expounded at

the time of the congress, but quietly allowed to fall into the background of public attention since that time. Needless to say, the doctrine does not commend itself in all respects to the author or his South American colleagues.

D. KINLEY.

ROSENBLATT, F. F. *The chartist movement. In its social and economic aspects.* Columbia University studies in history, economics and public law, LXXIII, 1. (New York: Longmans. 1916. Pp. 453. \$2.)

To be reviewed.

SARKAR, B. K. *The industrial development of Japan.* (Benares: Tara Prtg. Works. 1916. Pp. 52.)

SCHERER, J. A. B. *Cotton as a world power. A study in the economic interpretation of history.* (New York: Stokes. 1916. Pp. 453. \$2.)

To be reviewed.

SLOSSON, P. W. *The decline of the chartist movement.* Columbia University studies in history, economics, and public law, LXXIII, 2. (New York: Longmans. 1916. Pp. 216. \$2.)

To be reviewed.

WASHBURN, C. G. *Theodore Roosevelt. The logic of his career.* (Boston: Houghton Mifflin. 1916. Pp. 245. \$1.50.)

Mr. Washburn writes as an intimate friend of Mr. Roosevelt who differs with him in political views. He shows us the personal side of the founder of the Progressive party in an appreciative manner. The critical note is wanting, and the book, intended for popular use, contributes little to the political history of the period with which it deals. The most interesting chapter to the readers of this REVIEW is the second, dealing with Changing Social and Industrial Conditions. It discusses in an entertaining way the change that came into our political ideas and aims about 1900. Up to that time politics had been influenced by the spirit which the Civil War kindled. The Republican party lived in the spirit and the organization that had been developed in the struggle for the Union: after 1900 problems connected with good government, the distribution of wealth, and the influence of money in politics became insistent. Roosevelt came upon the scene in the second period. Before that he had played little part, because he could not accept the ideals of the old régime. He threw all his force into the new. "He was not hampered by either a business or professional experience."

He encountered a world ready for his leadership. Congressmen were under the old influence; and the people wanted a man who would act boldly. Changed industrial conditions had led the manufacturers to form trusts and other combinations. The public demanded that they be restricted, while the trusts themselves were in a defiant attitude. Roosevelt demanded that they be supervised, not destroyed; but neither the trusts nor the people paid attention.

The former treated him as an opponent: the latter only knew he was a friend of those who resisted the monopolies. Between such passionate contentions there was no place for the voice of reason, which said that the trusts should exist under reasonable oversight: and that is why Roosevelt's program faded away at the end. It is true that Mr. Washburn does not announce this conclusion in so many words; but his statements lead us to it.

JOHN SPENCER BASSETT.

WEBB, S. and FREEMAN, A. *Great Britain after the war.* (London: Allen & Unwin. 1916. Pp. 80. 1s.)

WERGELAND, A. M. *History of the working classes in France. A Review of Levasseur's "Histoire des classes ouvrières et de l'industrie en France avant 1789."* (Chicago: University of Chicago Press. 1916. Pp. vi, 136. \$1.)

This review, written by Dr. Agnes M. Wergeland, late professor of history in the University of Wyoming, was first published in the *Journal of Political Economy*. It presents a faithful and sympathetic summary of some of the main topics in the two large volumes of the original work.

C. D.

WORK, M. N. *Negro year book. Encyclopedia of the negro, 1916-1917.* (Tuskegee, Ala.: Tuskegee Institute. 1916. Pp. x, 488.)

Contains sections on economic conditions (pp. 1-15), occupations (pp. 295-301), agriculture (pp. 305-315), business (pp. 318-334), population (pp. 364-389), and bibliographies (pp. 418-455).

*Japan year book, 1916.* (San Francisco: A. T. Masuda, 448 Bush St. Pp. xiv, 766.)

*Memorandum on the industrial situation after the war.* The Garton Foundation. (London: Harrison. 1916. Pp. 95. 1s.)

*One hundred years, 1816-1916; the chronicles of an old business house in the city of Philadelphia.* (Philadelphia: W. H. Horstmann Co. 1916. Pp. 54.)

## Agriculture, Mining, Forestry, and Fisheries

### NEW BOOKS

BITTING, S. T. *Rural land ownership among the negroes of Virginia. With special reference to Albermarle county. Phelps-Stokes fellowship papers.* (Charlottesville: University of Virginia. 1916. Pp. 110.)

BOHANNAN, C. D. and CAMPBELL, D. P. *A preliminary study of the marketing of Burley tobacco in Central Kentucky. No. 1 of a series of studies on the marketing of Kentucky farm products.* (Lexington: Kentucky Agricultural Experiment Station. 1916.)

CADY, G. H. *Coal resources of district VI. Illinois coal mining investigations. Coöperative agreement. Bulletin 15.* (Urbana: State Geological Survey, University of Illinois. 1916. Pp. 94.)

- CHERINGTON, P. T. *The wool industry*. (Chicago: A. W. Shaw. 1916. \$2.50.)
- CHILD, S. R. *Laws relating to rural credits and land registration. Uniform state laws relating to same*. Sen. Doc. No. 351, 64 Cong., 1 Sess. (Washington: Gov. Prtg. Off. 1916. Pp. 43.)
- DESBONS, G. *La crise agricole et remède coopératif: l'exemple du Danemark*. (Paris: Editions Juridiques, 26 Boulevard de l'Hôpital. 1916.)
- HARRIS, F. S. *The irrigation of wheat*. Utah Experiment Station bulletin no. 146. (Logan, Utah: Experiment Station. 1916. Pp. 32.)
- KERZONCUF, J. *La pêche maritime son évolution en France et à l'étranger*. (Paris: Challamel. 1916. 5.50 fr.)
- MOON, F. R. *The book of forestry*. (New York: Appleton. 1916. Pp. xvii, 315. \$1.75.)  
Chapter 6 treats of "Making money out of forestry."
- NOURSE, E. G. *Agricultural economics. A selection of materials in which economic principles are applied to the practice of agriculture*. (Chicago: Univ. Chicago Press. 1916. Pp. xxv, 896. \$2.75.)  
To be reviewed.
- REW, R. H. *An agricultural faggot. A collection of papers on agricultural subjects*. (London: King. 1916. 5s.)
- SCHMIDT, L. B. *Economic history of agriculture in Iowa*. (Des Moines: State Hist. Soc. of Iowa. 1916.)
- SEARS, F. H. *A system of rural credits adapted to federal reclamation projects*. (Fallon, Nev.: F. H. Sears. 1916. Pp. 31.)
- STEWART, C. L. *Land tenure in the United States with special reference to Illinois*. University of Illinois studies in the social sciences, vol. V, no. 3. (Urbana: Univ. Illinois. 1916. Pp. 135. 75c.)  
To be reviewed.
- THOMPSON, C. W. *Costs and sources of farm-mortgage loans in the United States*. Bulletin no. 384. (Washington: Dept. of Agri. 1916. Pp. 16.)
- THOMPSON, C. W. *How the Department of Agriculture promotes organization in rural life*. Yearbook separate 675, pp. 272A-272P. (Washington: Dept. of Agri. 1916.)
- WEED, W. H. *A manual of North America. The mines handbook and copper handbook*, vol. XII. (New York: Stevens. 1916. Pp. 1699.)
- Facts about the land. A reply to "The land," the report of the unofficial land enquiry committee*. (London: Murray. 1916. Pp. 335. 2s. 6d.)
- The investigation of rivers*. Final report. (London: Royal Geographical Society. 1916. Pp. 92. 3s. 6d.)

*Report of the seventh annual meeting of the Committee of Conservation, Canada.* (Ottawa: The Commission. 1916. Pp. 283.)

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*Year-book of agricultural legislation, vol. 5.* (Rome: Intern. Inst. Agri. 1916.)

## Manufacturing Industries

### NEW BOOKS

BACON, R. F. *The American petroleum industry.* Two volumes. (New York: McGraw-Hill. 1916. Pp. 456; 519. \$10.)

FARRAR, F. A. *Factories and great industries.* (Cambridge, Eng.: University Press. 1916. Pp. 90.)

STEUART, W. M. *Power laundries. Census of manufactures, 1914.* (Washington: Bureau of the Census. 1916. Pp. 28.)

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*The production of iron and steel in Canada, during the calendar year 1915.* (Ottawa: Gov. Prtg. Bureau. 1916. Pp. 48.)

## Transportation and Communication

*The Port of Boston.* By EDWIN J. CLAPP. (New Haven: Yale University Press. 1916. Pp. xii, 402. \$2.50.)

This book had its origin in a private report prepared and submitted by the author as an expert adviser selected by the directors of the port of Boston to study the various traffic and operating problems of that great North Atlantic seaport and to suggest methods for developing the traffic of the Boston port in competition with other Atlantic ports. Professor Clapp had previously demonstrated his familiarity with the conditions affecting foreign

- CHERINGTON, P. T. *The wool industry*. (Chicago: A. W. Shaw. 1916. \$2.50.)
- CHILD, S. R. *Laws relating to rural credits and land registration. Uniform state laws relating to same*. Sen. Doc. No. 351, 64 Cong., 1 Sess. (Washington: Gov. Prtg. Off. 1916. Pp. 43.)
- DESBONS, G. *La crise agricole et remède coopératif: l'exemple du Danemark*. (Paris: Editions Juridiques, 26 Boulevard de l'Hôpital. 1916.)
- HARRIS, F. S. *The irrigation of wheat*. Utah Experiment Station bulletin no. 146. (Logan, Utah: Experiment Station. 1916. Pp. 32.)
- KERZONCUF, J. *La pêche maritime son évolution en France et à l'étranger*. (Paris: Challamel. 1916. 5.50 fr.)
- MOON, F. R. *The book of forestry*. (New York: Appleton. 1916. Pp. xvii, 315. \$1.75.)  
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- NOURSE, E. G. *Agricultural economics. A selection of materials in which economic principles are applied to the practice of agriculture*. (Chicago: Univ. Chicago Press. 1916. Pp. xxv, 896. \$2.75.)  
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- REW, R. H. *An agricultural faggot. A collection of papers on agricultural subjects*. (London: King. 1916. 5s.)
- SCHMIDT, L. B. *Economic history of agriculture in Iowa*. (Des Moines: State Hist. Soc. of Iowa. 1916.)
- SEARS, F. H. *A system of rural credits adapted to federal reclamation projects*. (Fallon, Nev.: F. H. Sears. 1916. Pp. 31.)
- STEWART, C. L. *Land tenure in the United States with special reference to Illinois*. University of Illinois studies in the social sciences, vol. V, no. 3. (Urbana: Univ. Illinois. 1916. Pp. 135. 75c.)  
To be reviewed.
- THOMPSON, C. W. *Costs and sources of farm-mortgage loans in the United States*. Bulletin no. 384. (Washington: Dept. of Agri. 1916. Pp. 16.)
- THOMPSON, C. W. *How the Department of Agriculture promotes organization in rural life*. Yearbook separate 675, pp. 272A-272P. (Washington: Dept. of Agri. 1916.)
- WEED, W. H. *A manual of North America. The mines handbook and copper handbook*, vol. XII. (New York: Stevens. 1916. Pp. 1699.)
- Facts about the land. A reply to "The land," the report of the unofficial land enquiry committee*. (London: Murray. 1916. Pp. 335. 2s. 6d.)
- The investigation of rivers*. Final report. (London: Royal Geographical Society. 1916. Pp. 92. 3s. 6d.)

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commerce and port development, notably in two successful books, *The Navigable Rhine* and *The Port of Hamburg*. While the present book naturally deals principally with traffic problems, these are so closely involved with the problems of port operation and the arrangements for the interchange of traffic between land and water carriers, that several chapters are necessarily devoted to the operating problems of the rail and water terminals. As a seaport is primarily a point of interchange of freight and passengers between railroads and boat lines the study of a port also involves almost equal consideration of both rail and water transportation problems; and, while the port of Boston is the focus of the discussion, much attention is given throughout to the theory of port charges and operations, and the practices of other Atlantic ports are generally cited with regard to such matters as belt lines, light-erage, elevator charges, and port industries. The author says that the whole discussion of the competition for export and import traffic of the American Middle West could as well appear in a book on New Orleans or Montreal.

Professor Clapp points out that the problem of the port of Boston, in the effort to attract commerce to the city, is not peculiar to that city alone, but that all of the North Atlantic ports have a similar problem. New York, alone, is embarrassed by so much freight seeking its ports that its problem is an engineering one involving the difficulties of handling the volume of traffic offered, while the other ports are mainly concerned with attracting a greater volume of business. After pointing out the great importance of a port in developing the business not only of the city but of the entire New England community, he analyzes the natural advantages and disadvantages of Boston's situation, suggesting improvements which will serve to attract business to the port, and also the many questions involved in the relation of freight rates to Boston as compared with those to other ports. He urges a greater coöperation with the port authorities on the part of the railroads, and explains several ways in which he believes this coöperation could be manifested; but he is exceedingly fair in giving the railroads credit for doing more than any other factor to make the port what it is and in showing that it must be made worth their while to aid in the attempt to develop the traffic of the port, rather than that they should be called upon to make sacrifices.

As a means of increasing the attractions of the port of Boston to both rail and water commerce, Professor Clapp makes several

proposals regarding changes in the system of port charges and in the methods of interchanging traffic between the railroads and water lines. He urges the necessity of greater effort on the part of Boston to advertise the advantages of the port throughout the West, as an offset to the system of differential freight rates which he considers to be discriminatory against Boston and in favor of other ports in many respects, in spite of the decisions of the Interstate Commerce Commission. And especially he urges the importance of cultivating traffic from points of origin such as New England and Canada, from which the rates are more favorable to Boston, so that the boat lines need not reduce their proportion of the through rates in order to take traffic from Boston rather than from other ports. In addition to the greater nearness of Baltimore and Philadelphia to the leading points in the Middle West, which operates to the disadvantage of Boston so far as the relation of inland freight rates is concerned, he calls attention to the fact that more ships are brought to Boston than can be loaded out, and shows the necessity of finding traffic for the outbound movement. He also urges that greater attention be paid to building up the passenger travel via Boston.

Additional water lines to the Pacific coast, to Galveston, and for the coastwise service, he deems important; and in this connection he argues that it would be a mistake for the Interstate Commerce Commission to interfere with the ownership of water lines by New England railroads.

Among the physical changes which he recommends are a greater development of the opportunity for industrial expansion in the vicinity of the port, the construction of new pier facilities in accordance with plans which he outlines, a system of carfloats for the exchange of traffic in the harbor, and a union belt line railroad to coördinate the terminal facilities of the rail carriers.

The book is a valuable addition to the literature on the subject of rail and water freight rates and operating problems, which is comparatively limited except for more formal reports and documents, and the material not only is valuable to any student of the subject but is presented in an interesting manner.

H. F. LANE.

*Washington, D. C.*

*The Panama Canal and Commerce.* By EMORY R. JOHNSON.  
(New York: D. Appleton and Company. 1916. Pp. 295.  
\$2.00.)

Professor Johnson is eminently qualified to prepare this volume. From its inception to its completion, he has been in intimate relationship with the Panama Canal. During the progress of construction he made several reports to the government, which were always received with great interest and accorded serious consideration.

In the opening of the second chapter of his book, Professor Johnson states clearly and effectively why the canal was built, and shows what a great benefit it is proving to be. Many statistics which will be of interest to all who are engaged in foreign or domestic trade are supplied and there are numerous maps showing the routes taken by steamers, the coaling ports throughout the world, the distance by various routes, and the time occupied in making transit.

In conducting investigations and securing data, Professor Johnson made a thorough canvass of all the principal shipping companies operating from New York and other American ports and obtained accurate information as to the methods of operating cargo and passenger steamers, the time necessary for different voyages, the consumption of coal required, depending upon the class of steamer, the nominal cost of coal at depots throughout the world, and the estimated saving in expense when the shortened voyages through the canal are taken advantage of.

These particulars have been so carefully collected that they may be considered entirely reliable—at least they were at the time the work was written and issued. The war has changed many conditions and undoubtedly further changes will follow. Owing to the danger in the Mediterranean because of the war, the amount of tonnage passing through the Suez Canal has been greatly reduced. A large portion of this would naturally have sought the Panama Canal. Unfortunately the slide that took place in September, 1915, and which was not overcome until April, 1916, prevented all tonnage from passing through the canal and forced the longer voyages around the Cape of Good Hope and Cape Horn. Now that the canal is reopened, traffic is rapidly increasing, and it is believed that very soon a much larger volume of tonnage will be availing itself of this route. The largest amount of tonnage for any month was that of August, 1915—about 700,000 tons. Even with this amount, the operating expenses of the canal and the subsidy of the Panama government are more than being met by the toll revenues; and the canal at present may be considered

to be on a paying basis, if the interest on the cost of construction is not included. It is estimated that when the tonnage reaches a volume of about fourteen million tons per annum, if present toll is continued, the entire cost of operation, subsidy, and interest on bonds will be fully paid by the canal revenues. All of these details are very fully explained by Professor Johnson, and his predictions are being carried out to a remarkable extent.

The book is written in simple language easily comprehended by the ordinary reader and is so clear in statement that trade conditions as they are influenced by canals can readily be comprehended by those having very little knowledge of maritime matters. And to those who are familiar with such matters it may also serve as a textbook that will be frequently referred to for information which cannot be procured from other sources. To students of business conditions, to travelers, to those interested in trade between the United States and foreign countries, and to our people generally, Professor Johnson's book should be of great value.

WELDING RING.

#### BOOK REVIEWS

- CHARIGNON, A., J.-H. *Les chemins de fer chinois. Un programme pour leur développement.* (Paris: Dunod & Pinat. 1916. Pp. 222. 20 fr.)
- FILLIOL, V. *Les transports commerciaux et la responsabilité des compagnies de chemin de fer avec formules et modèles et tableaux des délais de transport.* (Paris: Librairie Générale de Droit. 5 fr.)
- HESS, R. H. and WHALING, H. B. *Outlines of American railway transportation.* (Madison: Univ. Wisconsin. 1916. Pp. 208. \$1.)
- HORNIMAN, R. *How to make the railways pay for the war; or, the transport problem solved.* (London: Routledge. 1916. Pp. 368. 10s. 6d.)
- KETCHUM, E. S., editor-in-chief. *The traffic library.* Vol. 7, *Construction and interpretation of tariffs.* (Chicago: Am. Comm. Assoc. 1916. Pp. xiii, 364.)
- LEMARCHAND, G. *Le port de Paris et ses affluents commerciaux.* (Paris: Dunod & Pinat. 1916. 6 fr.)
- NELSON, J. H. *Interstate commerce commission law; vade mecum.* (Washington: J. Byrne & Co. 1916. Pp. 168. \$1.)
- PEABODY, JAMES. *Railway organization and management.* (Chicago: La Salle Extension Univ. 1916. Pp. vii, 263.)

This is one of a series of books on interstate commerce and rail-

way traffic. As the title indicates, its purpose is to explain the functions of the various departments of the railway and the duties of the officers and employees. The conventional diagrams of organization are freely used and are supplemented by explanatory text and more or less detailed descriptions of the duties and responsibilities of each office or position in the service. Naturally the greater part of the book consists of a detailed analysis of the three great divisions of railroad organization—operating, traffic, and accounting; but brief mention is made of the corporate organization and of certain miscellaneous departments, such as relief, pensions, publicity. Some little attention is given to the valuation work which has been forced upon the railroads by the federal government.

Certain inter-line organizations, like traffic associations and fast freight lines, are also described, though for the most part rather inadequately. The author undertakes also to compare the advantages and disadvantages of the departmental, divisional, and unit types of operating organization—without conspicuous success.

The arrangement of the book is somewhat faulty resulting in many needless repetitions. A fairly full index remedies this defect to some extent. There is also a noticeable lack of balance in the apportionment of space to the various topics. On the whole, however, the work affords the student of transportation and the layman a considerable amount of information concerning the organization and operation of a railway though it is too superficial to be of much use to a railroad man or to any one who desires an intimate knowledge of the subject.

C. W. DOTEN.

PRATT, E. A. *A London transport trust. Criticism of an impracticable scheme.* (London: King. 1916. Pp. 70. 1s.)

*Annual report of the department of city transit, Philadelphia, for the year ending December 31, 1915.* (Philadelphia: City Hall. 1916. Pp. 849.)

*Annual report for the year ending June 30, 1916, of the New York Railways Company.* (New York. 1916. Pp. 35.)

*Comparative railway statistics, United States and foreign countries, 1913.* Consecutive no. 100. Miscellaneous series no. 25. (Washington: Bureau of Railway Economics. 1916. Pp. 78.)

### Trade, Commerce, and Commercial Crises

*Exporting to Latin America, A Handbook for Merchants, Manufacturers, and Exporters.* By ERNST B. FILSINGER. (New York: D. Appleton and Company. 1916. Pp. xiv, 565. \$3.00.)

Two qualities in Mr. Filsinger's book stand out as noteworthy: it is specific and it is comprehensive. When to this statement I

add that it is distinctly a business man's book, written by a business man who still has the student's knack of covering a subject fully and expressing himself clearly, it may easily be understood that this is one of the best publications on Latin America that has been placed on the American market. There has been in the last two or three years a flood of literature on Latin America, designed primarily to meet the demand that was supposed to have arisen from our unparalleled trade opportunity there. Most of these books bear on their face the evidence of having been hastily put together, or at least written up sketchily and superficially, and it is only occasionally that we find one which impresses us as being substantial and dependable. Even a glance through the present volume is sufficient to make us feel that this is a "first-hand" book, written by a man who knows what the American exporter must ascertain in order to get a foothold in Latin American trade; and a closer examination bears out the original impression. I should say that no business man contemplating an entrance into the Latin American field could afford to do without this book.

Mr. Filsinger approaches his subject by placing himself in the position of the manufacturer in the United States who has been attracted toward Latin American trade but knows nothing from experience about exporting either to Latin America or to any other part of the world. Such a manufacturer, if he were wise, would want to familiarize himself with the whole process of exporting, from the time when he first set out to get an order to the time when he had a substantial, established business. The book attempts to meet the demands of this sort of inquirer in two ways: by giving him as much specific information about exporting to Latin American markets as it is practicable to do in a volume of this size, and by pointing out the various sources of information and assistance open to him both in the United States and abroad, but particularly in this country. Of the two, the latter feature is especially important. Among the many writers on Latin American trade Mr. Filsinger seems to be almost the discoverer of the effective work being done by the Bureau of Foreign and Domestic Commerce, to which he devotes considerable, but by no means excessive, space.

The keynote of the whole book is the insistence on the necessity of thorough study of the subject of exporting to Latin America, not only before any steps are taken but also after the orders begin to come in. The author, however, does not confine himself to em-

phasizing the importance of such study. He goes further and outlines the manner in which the study may be undertaken and the assistance that is available in pursuing it. After a brief survey of Latin American physical conditions, for instance, he has a chapter on *How to Study the Latin American Trade Problem*, in which (1) the questions to be considered with respect to the special line turned out by the manufacturer are listed and (2) the several phases of the export process itself are set forth. The former have to do with the adaptability of the product to the differing Latin American markets, the class of population to which it would appeal, the kind of label that would be appropriate, the possibility of creating a demand if one does not exist, etc. Among the latter are emphasized such topics as the proper methods of doing business, competition, the amount of capital to be devoted to the Latin American venture, and attention to documents and details.

Following such preliminary study the manufacturer would naturally come next to the determination of the proper method to be followed, and a chapter is devoted to a review of the various methods open, such as trading through export commission houses, sending traveling salesmen, and establishing agencies. Each of these methods is then discussed in detail, with the emphasis very properly laid on selling through salesmen. When the method is decided on, the subject of handling the resulting orders logically follows, including discussions of packing and marking, insurance, freight forwarding, and shipping and banking documents. Following this is a chapter on credits in Latin America, with another on financial conditions and banking.

There is then a discussion of a number of miscellaneous subjects connected with export to Latin America, such as tariffs, catalogues, advertising, trade-marks, parcel post, and two important chapters on government assistance to exporters. Finally there is an elaborate appendix giving condensed information regarding each Latin American country, a bibliography of *Aids to Study of Export Problems*, government publications, directories, etc., a list of banks engaged in Latin American business, and a number of other miscellaneous lists and tables.

There are a few details here and there that might be corrected, and doubtless will be if a second edition of the book is issued. The page proof was evidently hastily read, and the citations to pages in the appendix are inaccurate. There are also certain inaccuracies in the description of the consular service, such as the state-

ment that "in each of the republics there is a Consul General, whose headquarters are in the capitol (*sic*)," and that "the consular service serves the Bureau of Foreign Commerce." A somewhat more important defect, perhaps, is the failure to distinguish more clearly between the functions of the export commission houses and the manufacturers' agents. These, however, are all of minor importance and do not weigh heavily against the general excellence in the conception and handling of the whole subject.

The greatest present obstacle to the increase of our trade relations with Latin America is not the lack of American banks or ships or other facilities, but the ignorance of the individual exporter as to what facilities actually exist and how to use them properly. All that can be done by governmental agencies toward making the trade channel smoother will not have a great effect until the manufacturer himself learns how to carry on his Latin American business intelligently. For doing away with the many hampering conditions and injudicious methods that exist at present in our export trade with Latin America, it is doubtful whether there is a better book available than this by Mr. Filsinger. It would certainly pay every prospective exporter to have a copy not in his library but on his desk for constant reference and study.

E. E. PRATT.

*Marketing Perishable Farm Products.* By ARTHUR B. ADAMS. Columbia University Studies in History, Economics and Public Law, Vol. LXII, No. 170. (New York: Longmans, Green and Company. 1916. Pp. 180. \$1.50.)

In this work the author makes a careful investigation of the methods of marketing perishable farm products, a field that is comparatively new. The scope of the work is indicated by the following chapter headings: Character and Significance of the Problem, The Present System of Marketing Perishables, Why the System is a Burden to Society, Reform of the Marketing Processes or Machinery, Reduction of Costs of Performing the Marketing Processes, and Reduction of the Burdens of Marketing by Changing the Nature of the Goods and Area of Production.

According to the conclusions of this author the present marketing processes are all necessary. But while such popular reforms as direct marketing from producer to consumer are found to be impossible even by the most successful growers' organizations, still he shows that reform of the agencies that operate existing market-

ing machinery is needed. The price of a product to the consumer has been increasing faster than the price to the farmer. The marketing cost represented by the differences between these two prices has thus been increasing. The cost of marketing perishables is greater in the United States than in Europe, where the farmer receives more and the consumer pays less. At the same time the purchasing power of the farmer and wage-earner has been decreasing. Hence the demand in the United States for reform in the marketing of farm products is becoming widespread and insistent.

In thus stating the problem it seems that the author must realize that he is dealing with a question of the distribution of wealth; that is, with the method of its apportionment among those who produce and handle farm products. But he considers marketing as entirely a part of production. In his review of the present system of marketing and in his analysis of its cost he dwells only upon activities which are mechanically necessary to put goods in the hands of the consumer. Such processes as grading, packing, transporting, storing farm products, assembling and dividing carload lots for individual consumption, whatever, in fact, is necessary for their full utilization are productive processes. But "plaiting" a basket of strawberries or "facing" a box of apples, "plugging" a car of wheat, "treating" wheat, local price cutting to drive out competitors, division of territory or coöperation to maintain prices among buyers, the purchase of goods on a rising market by commission merchants, or falsely quoting the prices prevailing upon a market, misrepresentation of the grade and condition of goods upon arrival, destroying products or storing them to prevent depression of prices—all of these practices are phenomena of common notoriety, yet they receive scarcely any attention in the chapter descriptive of the present system. All business activities which are calculated to affect prices and profits, but which are not socially necessary for the efficient utilization of goods, should be included under the head not of production but of distribution. Inasmuch as a large part of the activities of business men affects only the per cent of the consumer's dollar which the handler of farm products shall obtain, and in no wise adds to the mechanical efficiency of getting a product from the soil to the consumer, marketing is essentially a part of distribution as well as of production.

Again, when the author attempts to show what determines

prices, he treats the whole subject as settled. He has no questions to solve. He shows, according to traditional theory, how prices are determined by supply and demand.

Chiefly on the basis of traditional theory, but partly on that of the phenomena of new conditions, which the author is passing in review, he proceeds to consider possible improvements in the methods of production. But no consistent devotee of the supply and demand theory should depart from a *laissez-faire* policy; that is, from the assumption of the sufficiency of free competition to regulate prices without the interference of any government aid. As the passage of the various laws to regulate railroad transportation has marked a decline in the assumption of the sufficiency of free competition to regulate railroad charges, and the relationship between producers, manufacturers, shippers, and consumers, so the universal establishment of municipal, state, and federal departments of markets, which this author recommends, will ultimately mean a death blow to this theory. He says that the establishment of such agencies is necessary "to regulate the local and the state trade" in farm products, "to improve marketing and reduce its costs." Any admission of a necessity for reform of any kind is a departure from the traditional assumption of the sufficiency of supply and demand to determine all prices.

Perishable goods have not, in the self-evident fashion assumed by those who have held the supply and demand brief, reached the place where they would command the best price. Mr. Adams does not at this point diverge from traditional economic theory, but he points out a situation which is not in accord with the usual economic assumptions. He shows that there may be an ample demand, and yet a part of the supply of the goods may either rot on the farm or sell for less than the cost of their production; that prices may fluctuate widely on the same market because of the alternation of glut and scarcity, and between markets for lack of sufficient information and marketing facilities; and that prices may be low at one place and high at another at the same time. Thus the situation he describes does not indicate that there is any tendency toward one market price as has been commonly assumed. Consumers, he states, do not necessarily benefit from periods of low wholesale prices: wholesale prices vary closely according to supply and demand; but retailers are inclined to maintain customary prices; producers lose by fluctuating prices, but consumers do not correspondingly gain by them.

To remedy the admitted defects in this situation the author recommends that the federal Office of Markets should establish uniform grades and standards as an essential basis for reporting shipments from producing centers, receipts and prices at leading markets. Municipal markets should regulate retailers' business in regard to weights, measures, and soundness of the goods sold, and should help collect and publish market quotations. State departments of markets should help enforce standard grades and packages, collect and help distribute market news service. The federal Office of Markets should be the clearing house for gathering and distributing market information. In this way the supply of farm products could be made more efficient. Then this system, the author adds, should be supplemented by regulation, by the same authorities, of commission men, brokers, car-lot dealers, and retailers, to prevent "misquoting of prices, false reports as to condition of goods upon arrival, bogus sales, cornering of the markets and other unfair practices." The same departments should help farmers and shippers to present all valid complaints before state and federal railroad commissions. These agencies should also be authorized to regulate refrigeration, both stationary and in transit, and terminal facilities generally.

Mr. Adams goes farther in recommending government aid than many authorities—Mr. Weld, for instance, in his work on *The Marketing of Farm Products*; but not so far as Mr. Elwood Mead, who has the Australian and European situation in mind. According to the latter authority, investigation and publicity through bulletins put the responsibility on the farmer and local shipper, but may leave them as helpless as before unless the government gives them more substantial aid. It might be remarked that, while some in the United States recognize that individualistic competition should be and is being supplanted by organization in most industries, few realize that the government will have to give support both to farmers and consumers if they are to deal at all on a par with large capitalistic organizations. To be consistent there will have to be a complete abandonment of the laissez-faire doctrine, not only upon the part of those who advocate organization in all industries and of consumers generally, but also upon the part of those who are recommending government aid. Moreover, it will be found that government aid by court fines is accomplishing nothing constructive. Mr. Adams is to be complimented for

recommending a constructive program, part of which has already been put into effect.

WILLIAM R. CAMP.

*North Carolina Agricultural Experiment Station.*

#### NEW BOOKS

BERROGAIN, C. *L'expansion du commerce extérieur et l'organisation bancaire.* (Paris: Delagrave. 1916. Pp. 214. 2.50 fr.)

BROWN, H. G. *Principles of commerce. A study of mechanism, the advantages, and the transportation costs of foreign and domestic trade.* (New York: Macmillan. 1916. Pp. xxiii, 207. \$1.75.)  
To be reviewed.

BYERS, N. R. *World commerce in its relation to the British empire.* (London: King. 1916. 1s. 3d.)

JUDSON, J. *Trade after the war; the British machine tool industry.* (London: Judson-Jackson Co. 1916. Pp. 30. 2d.)

JUGLAR, C. *A brief history of panics and their periodical occurrences in the United States.* Third edition. Translated and edited with an introduction and brought down from 1889 to date by DeCOURCY W. THOM (New York: Putnams. 1916. Pp. viii, 189. \$1.00.)

Probably no book on business cycles has had a wider circulation in the United States than Mr. Thom's adaptation of Juglar. The present edition differs from its predecessors by continuing the historical sketch of American "panics" from 1891 to 1914. Mr. Thom credits us with having had panics not only in 1893 and 1907, but also in 1897 (which was really a year of business revival), 1903, and 1913. What is worse, he credits France and England with having had panics "approximately" in each of these years (p. 20). This opinion rests not on study of business conditions in the three countries, but on a misuse of the term "panic," and on a mistaken notion that panics are "practically simultaneous" in Europe and America. As so often in this field, the theory is not made to fit the facts, but the facts to fit the theory.

W. C. M.

LAMBERT, H. *International morality and exchange.* (London: Allen & Unwin. 1916. Pp. 40. 6s.)

NORTON, T. H. *Dyestuff situation in the United States.* Special agents series no. 111. (Washington: Dept. of Comm. Bureau of Foreign and Domestic Comm. 1916. Pp. 19.)

WENDEL, H. F. *Wendel's up to date list of export commission houses in the United States.* (New York: H. F. Wendel. 1916. Pp. 33. \$10.)

*Business and Europe.* (Boston: National Shawmut Bank. 1916. Pp. 17.)

*European economic alliances. A compilation of information on inter-*

To remedy the admitted defects in this situation the author recommends that the federal Office of Markets should establish uniform grades and standards as an essential basis for reporting shipments from producing centers, receipts and prices at leading markets. Municipal markets should regulate retailers' business in regard to weights, measures, and soundness of the goods sold, and should help collect and publish market quotations. State departments of markets should help enforce standard grades and packages, collect and help distribute market news service. The federal Office of Markets should be the clearing house for gathering and distributing market information. In this way the supply of farm products could be made more efficient. Then this system, the author adds, should be supplemented by regulation, by the same authorities, of commission men, brokers, car-lot dealers, and retailers, to prevent "misquoting of prices, false reports as to condition of goods upon arrival, bogus sales, cornering of the markets and other unfair practices." The same departments should help farmers and shippers to present all valid complaints before state and federal railroad commissions. These agencies should also be authorized to regulate refrigeration, both stationary and in transit, and terminal facilities generally.

Mr. Adams goes farther in recommending government aid than many authorities—Mr. Weld, for instance, in his work on *The Marketing of Farm Products*; but not so far as Mr. Elwood Mead, who has the Australian and European situation in mind. According to the latter authority, investigation and publicity through bulletins put the responsibility on the farmer and local shipper, but may leave them as helpless as before unless the government gives them more substantial aid. It might be remarked that, while some in the United States recognize that individualistic competition should be and is being supplanted by organization in most industries, few realize that the government will have to give support both to farmers and consumers if they are to deal at all on a par with large capitalistic organizations. To be consistent there will have to be a complete abandonment of the laissez-faire doctrine, not only upon the part of those who advocate organization in all industries and of consumers generally, but also upon the part of those who are recommending government aid. Moreover, it will be found that government aid by court fines is accomplishing nothing constructive. Mr. Adams is to be complimented for

recommending a constructive program, part of which has already been put into effect.

WILLIAM R. CAMP.

*North Carolina Agricultural Experiment Station.*

#### NEW BOOKS

BERROGAIN, C. *L'expansion du commerce extérieur et l'organisation bancaire.* (Paris: Delagrave. 1916. Pp. 214. 2.50 fr.)

BROWN, H. G. *Principles of commerce. A study of mechanism, the advantages, and the transportation costs of foreign and domestic trade.* (New York: Macmillan. 1916. Pp. xxiii, 207. \$1.75.)  
To be reviewed.

BYERS, N. R. *World commerce in its relation to the British empire.* (London: King. 1916. 1s. 3d.)

JUDSON, J. *Trade after the war; the British machine tool industry.* (London: Judson-Jackson Co. 1916. Pp. 30. 2d.)

JUGLAR, C. *A brief history of panics and their periodical occurrences in the United States.* Third edition. Translated and edited with an introduction and brought down from 1889 to date by DeCOURCY W. THOM (New York: Putnams. 1916. Pp. viii, 189. \$1.00.)

Probably no book on business cycles has had a wider circulation in the United States than Mr. Thom's adaptation of Juglar. The present edition differs from its predecessors by continuing the historical sketch of American "panics" from 1891 to 1914. Mr. Thom credits us with having had panics not only in 1893 and 1907, but also in 1897 (which was really a year of business revival), 1903, and 1913. What is worse, he credits France and England with having had panics "approximately" in each of these years (p. 20). This opinion rests not on study of business conditions in the three countries, but on a misuse of the term "panic," and on a mistaken notion that panics are "practically simultaneous" in Europe and America. As so often in this field, the theory is not made to fit the facts, but the facts to fit the theory. W. C. M.

LAMBERT, H. *International morality and exchange.* (London: Allen & Unwin. 1916. Pp. 40. 6s.)

NORTON, T. H. *Dyestuff situation in the United States.* Special agents series no. 111. (Washington: Dept. of Comm. Bureau of Foreign and Domestic Comm. 1916. Pp. 19.)

WENDEL, H. F. *Wendel's up to date list of export commission houses in the United States.* (New York: H. F. Wendel. 1916. Pp. 33. \$10.)

*Business and Europe.* (Boston: National Shawmut Bank. 1916. Pp. 17.)

*European economic alliances. A compilation of information on inter-*

*national commercial policies after the European war and their effect upon the foreign trade of the United States.* (New York: Nat. Foreign Trade Council, India Sq. 1916. Pp. 118. 25c.)

*Exporters' encyclopedia.* (New York: Exporters' Encyclopedia Co., 78 Broad St. 1916. Pp. 1175. \$7.50.)

*Export register of New York export commission houses.* Second edition. (New York: Export Manufacturers of the United States. 1916. Pp. 319.)

*Our trade with Latin America.* (New York: Mechanics & Metals National Bank. 1916. Pp. 9.)

*The strategic trade centers of the world.* (New York: R. G. Dun & Co. 1916. Pp. 24.)

*Watch your step in Australia!* (Washington: Dept. of Comm. Bureau of Foreign and Domestic Comm. 1916. Pp. 29.)

*Le guide de l'exportateur russe en France.* (Paris: Chambre de Commerce Russe de Paris. 1916.)

### Accounting, Business Methods, Investments, and the Exchanges

*Auditing Theory and Practice.* By ROBERT H. MONTGOMERY. Second edition revised and enlarged. (New York: The Ronald Press Company. 1916. Pp. xxvi, 889. \$5.00.)

Happy is the lot of the reviewer who finds on the publication of a second edition that his task offers the opportunity to express with new enthusiasm and in new measure his appreciation of the book. Montgomery's *Auditing* is standard; and it is so largely because it puts emphasis where emphasis belongs—on intelligence and judgment, as contrasted with mechanical checking, in audits. In the minds of some, Mr. Montgomery leans over backward in this regard, for he appears to think that as a general principle "test and scrutiny" will accomplish more than complete checking. Doubtless for one with a highly developed detective instinct and long experience, that is true; but in the audit of certain fiduciary accounts, more exactness is usually required than is implied by Mr. Montgomery's general discussion—which, it is only fair to say, is based chiefly on the needs of audits of mercantile, manufacturing, and service enterprises, for stockholders, creditors (actual or prospective), or investors. That Mr. Montgomery recognizes this is shown by a specific correction of his general implication as applied to the accounts of building and loan associations, for he says (p. 566), "in an audit under such circum-

stances, tests of the work are not usually sufficient." It is regrettable that such cautions are so inconspicuous. The point that does stand out, however, reinforced in the new edition, is that the auditor is concerned quite as much with things that are not on the books (but should be there) as with book figures; and that is why auditing is not primarily a task of checking. As is well said in the new edition (p. 48), "most fraud and carelessness lie in the transactions which do not reach the books, . . . evidence of or clues to which might be found in other . . . records." No other book on auditing dwells so satisfactorily on this point or shows by such well-chosen illustrations how evidence of omissions may be detected. The new edition gives many new illustrations.

Other changes in the new edition include enlargement of the sections on internal checks (which we may hope to find still further enlarged in a later edition), on liens and hypothecations, on interest as profit rather than cost (in which Mr. Montgomery takes the point of view commonly characteristic of auditors rather than that commonly taken by cost accountants), on acceptances, on forms of statements for credit purposes, on investigations after bankruptcy, and on the basis for reasonable rates. The last of these, since auditors are largely concerned with the application of sound theory, deserves fuller treatment. Mr. Montgomery cites the Kansas City Southern case (p. 639) and the Kings County Lighting Company case (p. 643), but with virtually no comment of his own—not even reminding the reader that in the former case the Supreme Court's decision was concerned not with the merits of the case but solely with jurisdiction.

A few sections not directly connected with the subject of the book, such as the chapter on C. P. A. regulations, and the corporation tax law, have been omitted from the earlier edition.

As a whole, the changes are not of sufficient importance to cause the new edition to displace the old, but new purchasers are to be congratulated on finding the new on the market.

It is regrettable that Professor Montgomery lends himself to the tendency among writers on business subjects to destroy the paragraph as a unit of expression. Reading is not made easier, but more difficult, when the reader must begin each paragraph with uncertainty whether the first words will continue the old thought or launch a new one—witness pages 54 and 55.

In form, the new edition is admirable—flexible leather binding, thin but strong paper, excellent type, with index (but not fully cross-indexed).

The publishers announce that the printing of 1916 with 100 pages on the federal income tax (the text used for this review) is now supplanted by a new printing without the sections on the income tax—but supplemented by a new edition, separately printed, on the latest interpretation of the income tax law.

WILLIAM MORSE COLE.

*Harvard University.*

*Predetermination of Prices.* By FREDERICK A. PARKHURST. (New York: John Wiley and Sons, Inc. 1916. Pp. viii, 96. \$1.25.)

A careful reading of this book suggests that it is fairer to judge it by the content than by the title. Measured by the latter it is disappointing. Considered, rather, from the point of view of what the author has done, it is an excellent book. The title as it appears on the outside of the book is "Predetermination of Prices"; inside it reads "The Predetermination of True Costs and Relatively True Selling Prices." One expects, therefore, an argument relating to these matters, and seizes upon the volume in anticipation of reading on a subject concerning which very little has been written. Realization of this is difficult for there is almost nothing on the predetermination of costs. Seven eighths of the book deals with costs; the remainder with profit and selling prices.

Referring now to the content, the book may be said to contain an exceptionally complete and well-presented exposition of the usual methods of ascertaining costs with the "flourishes" of scientific management. It is a good book to which to refer a clerk in a cost department for a working manual or a student of the subject of cost accounting. To such persons it offers not only the principles of cost finding but unusually clear and complete illustrations of their application.

That the author has presented the subject in the usual manner will be seen from the chapter headings which are as follows: I, Importance of Absolute Control of All Sources of Information; II, Discussion of Elements Affecting True Costs; III, Direct Costs; IV, Indirect Costs; V, Recapitulation of Costs; VI, Estimating; VII, Profit and Relatively True Selling Prices; VIII, Conclusion. There is nothing new about the first six chapters. The noteworthy thing about them is the thoroughness with which the illustrations showing the applications of the principles have been worked out. The chapter on Profit and Relatively True Selling

Prices discusses a number of bases upon which to determine prices such as the "productive hour," "pound," "piece," "per cent of cost," and "mutual satisfaction." The last mentioned is a sort of "what the traffic will bear" scheme summed up by the author as follows:

The purchase of such a machine enables the purchaser to turn out his product very much cheaper than he could otherwise do; and he is only too glad to buy at a price which allows the manufacturer of the machine a very large margin. Mutual satisfaction is undoubtedly the best term to use in describing this method of determining profit. After all, a satisfactory and fair price is one which both vendor and purchaser mutually agree upon in a transaction between two. If both are content there can be no logical argument against such a method.

The closure is an appeal for greater consideration and better treatment of the workman, not only because of philanthropic motives but because it pays. "In the future," says the author, "the successful business will begin its economy by eliminating wastes rather than cutting wages." "If the American business man, with his command of unlimited and unexcelled resources of practical thought, capital, equipment and energy, will govern his industrial world by 'true' figures and not guess work, his supremacy and that of the American workman will be impregnable."

JOHN RAYMOND WILDMAN.

*New York University.*

*Principles of Accounting.* By STEPHEN GILMAN. (Chicago: LaSalle Extension University. 1916. Pp. xii, 415. \$3.00.)

The student without accounting experience but attracted by the opportunities in the growing field of accountancy has often found the available treatises on the subject better suited for reference purposes than for helping him to master the working principles of accounting in a systematic manner. Many who have attempted to teach the subject have complained that most textbooks on modern accounting are written either by teachers with little practical experience in accounting or by practicing accountants without knowledge of pedagogy, the result in neither case being satisfactory. Doubtless both teachers and students will therefore welcome this new text on the principles of accounting, the author of which, a former manager of the credit department of the Tennessee Coal, Iron, and Railroad Company, brought to his task successful experience both in the teaching and in the practicing of accounting. "The purpose of the book," as he states, "is not to

promulgate the specialized treatment of any particular phase of the subject, but rather to present the basic principles of the science of accounting in a graphic and comprehensible manner."

In a "preliminary survey" the author, by means of a somewhat extended series of graphic illustrations of an ordinary pair of scales or balances, develops the law of double entry, or "the fundamental accounting equation" which he expresses as "assets = liabilities." This equation however, he later amends by classifying liabilities as: (1) liabilities to the proprietor; (2) liabilities to others. This amended equation constitutes the general ledger formula, the general ledger being explained as the keystone of the whole accounting system, really not a book or collection of leaves or cards, but rather a function, the practical application of the formula:  $\text{assets} = \text{liabilities} + \text{proprietorship}$ . The diagrams and their accompanying explanations showing the analogy of the law of physical balance to that of the balancing assets and liabilities in the ledger are effective, but it may be questioned whether so many rather obvious illustrations are necessary to establish the principle in a book which, according to the preface, was "written primarily for those having some training or experience in the art of bookkeeping." Probably to most of his readers the conclusion would have been equally clear had the writer begun with the assertion that double entry bookkeeping starts out with an equation, or balance, namely:  $\text{assets} - \text{liabilities} = \text{proprietorship}$ . For beginners, however, the pedagogic device of the pair of scales may have value.

In chapter 2, *The Bases of Accounting*, the student learns that the left-hand side of an account is for convenience called the "debit" side, and the right the "credit" side; that in the ledger we have "a device or mechanism by the aid of which the manager of a business may obtain a comprehensive view of the situation of the business as a whole, in which the activities of the business are reflected, and by which the history of the business is recorded"; that "the mechanics of operating this device is known as the art of bookkeeping"; and that "the act of adapting and regulating it and of interpreting its results is called the science of accountancy." This distinction reminds one of the old "Ray's Higher" definition of arithmetic as the science of numbers and the art of numerical computation. It leaves one in doubt, however, whether bookkeeping is or is not a branch of accounting. In the same chapter also we find a discussion of account relations, the rela-

tion of the proprietor to the business, the controlling account and subsidiary ledger, the distinction between real and nominal accounts, and the development of the classified trading accounts from the old-fashioned merchandise account. This is followed by a chapter on the development of the special journals, in which the various posting media are illustrated and the principles underlying their operation discussed, the modern journal being no longer a book but rather a function, exercised by a collection of books and sheets. The remaining chapters treat, in the order named, the balance sheet, assets and their valuation, liabilities, proprietorship, corporations, reserve and reserve funds, depreciation, special forms of statements, the holding company, and the consolidated balance sheet.

Holding that nowhere in the entire field of accounting has the constructive accountant a better opportunity to exhibit his skill than when classifying the nominal accounts, the author has devoted two whole chapters to proprietorship. This seems justified. But few problems arise in connection with the classification of assets and liability accounts, since they record only values owned or owed. But proprietorship accounts record business forces, and from them the manager may get information that will enable him to run his business to the best advantage. The discussion in the text is aided by excellent organization and classification charts and by model forms of statements. The author's conception of the business as a separate entity or individuality causes him to take the position that such items as wages, rent, and interest really represent assets of the business in the sense that they are accounts due from the proprietor, while items of profit, since the proprietor is entitled to them, are technically liabilities of the business to the proprietor. Carrying out this process of reasoning, with the author's primary classification of all accounts into nominal (proprietorship accounts) and real (assets and liabilities) would ultimately lead him to the interesting conclusion that the business has only one class of accounts—all assets; for liabilities, as he correctly states, are negative assets. This personifying of the business he holds is justified by experience as the desirable approach to the subject of accounting theory, and he maintains that proprietorship accounts reflect not a legal liability, but a theoretical liability. In this view he is in accord with many other writers on accounting theory; yet it is difficult to see why proprietorship accounts, simply because they normally have credit balances,

should be classed as liabilities, when it is perfectly clear that they are not liabilities. It seems better theory to reject this personification and consider the proprietorship accounts (representing the ownership or worth of the business) as a distinct group from the asset and liability accounts (representing the value owned), the fundamental relationship between the two groups being that of equality in value.

Not all authorities, either, will agree that organization expenses "are bona fide assets which need never be amortized or charged off, since they are perpetual in their nature, unless the life of the corporation is limited to a definite number of years, in which case they should be charged off during the life of the corporation." But the position that depreciation is a cost and not a deduction from profits seems well taken, as also the suggestion that "allowance for depreciation" is a better term, to represent the account credited with the value an asset has lost, than "reserve for depreciation," since a valuation account, which is an offset to an asset account, should be carefully distinguished from a reserve account, which is appropriated surplus. In discussing good-will the author suggests that its purchase is like the purchase of a bond at a premium. The bond premium represents future interest; the business premium or good-will represents future profits. As the life of the bond determines the yearly amount to be charged off, so in the case of good-will the number of years' profits which have been purchased determines the number of years over which good-will shall be charged off. But the charge should be against capital invested and not against current profits. However, he discusses other methods and adds that no one can afford to be dogmatic about the treatment of good-will since so many excellent authorities disagree absolutely.

On the whole, it may be said that the book does not undertake to advance new theories but to present clearly the principles underlying the best accounting practice. The point of view is modern, the treatment comprehensive and usually adequate, and the style simple and clear. Effective use is made of charts, examples, problems, and summaries. The author points out that accounting is not an exact science, that it involves many disputed points, and, recognizing that accounting instruction should be as broad as possible, he usually gives various views and methods, explains their relative advantages and disadvantages, and states his preference after deliberate consideration of the important factors pro and

con. The author's acquaintance with accounting theory, however, is evidently not equalled by his knowledge of economic theory, else why say: "In a natural state, water may be obtained without effort; hence it has no utility"?

C. C. HUNTINGTON.

*Ohio State University.*

*Cost Accounting and Burden Application.* By CLINTON H. SCOVELL. (New York: D. Appleton and Company. 1916. Pp. xx, 297, 13. \$2.00.)

In his introduction the author states that the purpose of his book is "to examine the elements of cost, and to define principles and describe methods of procedure in the development of a cost accounting practice, particularly in respect to the determination of overhead charges or burden." He has kept to his text throughout and has made a very valuable addition to the literature on the subject.

The book naturally falls into six divisions: introduction (ch. 1), cost accounting (chs. 2-4), burden (chs. 5-13), budget system and statements (chs. 14-15), costs of specific industries (chs. 16-19), and summary (ch. 20 and appendix). Chapters 2, 3, and 4 contain practically all of the cost accounting except that which is concerned with burden and this part of the book may be considered with chapter 1 as introductory to the burden application which takes up the far greater part. In the introduction the author might have added to the clearness by making one assumption at a time and disposing of that before proceeding to another one. This, however, is not a very serious objection as it appears only in the introduction. That part dealing with burden application is well written and logically arranged.

The author is ever mindful that a cost accounting system for every business, and for different plants in the same business, must be modified to suit the particular business and plant. Therefore he does not attempt to lay down any fixed rules as to details, but has simply separated cost and burden into their elements and considered these elements in their relation to each other and to the business as a whole. This makes unnecessary the inclusion of a mass of forms, such as one usually finds in a book on cost accounting. The suggestions as to the methods of procedure will be found of much value to either cost accountant or manager, but they do not leave one with the impression that the suggested way is the only way.

Probably the most important thing in the whole book, certainly the one about which there has been least written, is what the author calls "unearned burden." It is the logical outcome of his attempt, as expressed elsewhere, of "determining the cost of doing something, doing something else or doing nothing." He means by that to analyze the burden in such a way that the part that is due to unused capacity for manufacturing may be kept separate from that due to used capacity, and, thereby, show more clearly the effect of varying volumes of business, and help in determining manufacturing and selling policies. The reasons and arguments advanced to support the theory are logical and convincing, but whether one agrees or not as to the desirability and necessity of so separating earned and unearned burden, a careful reading of the discussion will be well worth while to executives as well as cost accountants for the suggestions that it contains.

Another subject vitally connected with the unearned burden theory is that of interest charged to cost, which is discussed at some length. The author takes the stand that interest on the investment at a fair rate is a proper charge to manufacturing costs. He gives a number of good reasons, from the standpoint of the cost accountants and managers, why such a charge should be included in manufacturing cost, and then he meets the objections raised against it. In the appendix is included the expressions of the best authorities on economic theories on the subject both for and against. The defense of the principle is well executed, and if one accepts the principle of separating earned from unearned burden, a charge of interest on investment against manufacturing costs must follow as a natural result.

That section of the book which deals with specific industries does not add very materially to the value of the book as a whole. Lack of space has made it necessary to treat each industry in a very hasty way, with the result that a great many of the problems to be solved are not even mentioned. Its chief usefulness lies in the fact that it repeats and emphasizes the principles laid down in the first part, and suggests how those principles may be applied to various specific industries.

The last chapter, which deals with the relation of the cost department to the factory organizations, emphasizes the need for a closer relation between the general accounting and the cost department. This is a point that cannot receive too great emphasis. If these two organizations are allowed to work independently of

each other the result will be that the management will be likely to receive two conflicting reports, and instead of their checking each other they will serve merely to confuse.

The work is a valuable contribution to the literature on the subject of cost accounting, and comes at a very opportune time, when managers everywhere are giving more thought than ever before to obtaining accurate and reliable cost data. It is to be recommended to managers, accountants, and students of cost accounting, chiefly for the fundamental principles discussed, and the very great number of suggestions offered.

M. M. FITZHUGH.

*Newport News, Virginia.*

*Retail Selling. A Guide to the Best Modern Practice.* By JAMES W. FISK. (New York: Harper and Brothers. 1916. Pp. 335. \$1.00.)

*The Science and Art of Salesmanship.* By SIMON ROBERT HOOVER. (New York: The Macmillan Company. 1916. Pp. xviii, 193. 75 cents.)

*Fundamentals of Salesmanship.* By NORRIS A. BRISCO. (New York: D. Appleton and Company. 1916. Pp. xiv, 322. \$1.50.)

Mercantile and producing concerns are increasingly adopting pedagogical methods in building up the business efficiency of their employees, and our educational institutions are providing more facilities for vocational training. The sales end of a business is the most important end; the size of the market dictates the scale and manner of production; the policy of the house is directed to getting and maintaining customers' good-will; "the richest rewards of business are in salesmanship rather than in the office end." It is, however, the end which until recently has received least attention; the present interest is proved by the fact that three of our largest publishing houses in 1916 brought out the above texts.

These three texts have a representative authorship. Mr. Fisk is director of the selling service of a distinguished New York store and was formerly director of courses in retail selling and advertising in *Dry-Goods Economist's* training school. Mr. Hoover is assistant principal of the High School of Commerce of Cleveland and his book is "the result of a process of development extending through several years of class instruction and close association

with a number of large business organizations." Professor Brisco is head of the department of political economy and sociology at the School of Commerce, State University of Iowa. They represent, therefore, (1) the views of a man experienced in retail salesmanship and in teaching it in a corporation school and by mail, one who has had a leading part in instituting and spreading the pedagogy of sales; (2) the views of a man in one of our best-known public commercial high schools, who speaks from the standpoint of teacher and theorist and also from that of observer in commercial houses; and (3) the views of a dean of the commercial school of a prominent university.

The texts have many elements of similarity, but it seems better to point out their dissimilarities and characteristic features. The Fisk text is divided into four parts: I, Marketing Methods—a good analysis of the selling field, retail competition, store sales policies, store organization, store and stock arrangement, display and advertising; II, Personal Salesmanship—being a presentation of the qualifications of the salesman, his knowledge of the store and merchandise, the typical customers and how to meet and treat them, and the successive stages of a good sale; III, Training People to Sell More Goods—which states the purposes in view, the proper methods of teaching, and the use of the various incentives for selling efficiency; IV, Supervision of the Selling Force. The treatment is precise and to the point; it sticks strictly to retail selling; and is written primarily from the point of view of the store manager or proprietor—only about ten pages in the second part are put in the second person and addressed to the salesmen directly by way of counsel. It will undoubtedly prove an excellent guide to store managers and be serviceable in junior courses of store instruction. It is quite complete with the exception that it offers no treatment of retail advertising.

The Hoover text is designed for class-room use and is based on the assumption of close similarities of salesmanship "when practiced in the small retail business, in canvassing, in a department store, or by a commercial traveling man." In the reviewer's opinion this assumption, while correct as a matter of fact, destroys to a large degree its serviceableness as a textbook for either beginners or juniors; it has resulted in a loosely built text, the author hopping about with quite unlimited and unwarranted freedom between store, canvasser, and drummer. To a beginner it will prove confusing and indefinite, to an advanced student much

will be too commonplace. Some of the chapters are compilations of heterogeneous data rather than orderly treatments.

Professor Brisco has divided his text into two parts: I, The Salesperson and Efficient Salesmanship; II, The Manager and Efficient Salesmanship. The consideration of the third person concerned, namely, the consumer, is put into part I by way of information to the salesperson as to how he may analyze his customer through appearance, voice, acts, etc. The steps in an orderly sale, the objections commonly raised and answered, the use of suggestion, are also given in this part. But to devote 110 of the 230 pages to the salesman's health, appearance, character, tact, personality, enthusiasm, honesty, courtesy, confidence, loyalty, etc., seems an unduly prolix treatment of common virtues which are proper and becoming to any one whether salesman, hod-carrier or bank president. Two chapters of the second part, on Habits and Fatigue, partake of the same nature. This text is dominated by the *retail-selling* point of view although it rarely states directly this position. It is designed as a textbook, each chapter being followed by a list of questions on the data and by a bibliography.

RAY B. WESTERFIELD.

*Yale University.*

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- BAMBURGH, W. C. *Talks on business correspondence.* (Boston: Little, Brown. 1916. Pp. xv, 246. \$1.)
- BROWN, B. S. *Modern fruit marketing; a complete treatise covering harvesting, packing, storing, transporting, and selling of fruit.* (New York: Judd. 1916. Pp. 283. \$1.25.)
- BROWNE, T. A. *The Torrens land transfer act of Nebraska.* (Lincoln: Legislative Reference Bureau. 1916. Pp. 60.)
- CHILDS, F. H. *A treatise on American business law, with illustrative cases.* Vol. 1, *Elementary law. Contracts.* (Chicago: Walton School of Comm. 1916. Pp. 351.)
- CLOOS, G. M. and FARMER, H. J. *Manual for appraising real estate and buildings by approved practical methods; with key to land values as shown on Caspar's official map of Milwaukee and suburbs.* (Milwaukee: C. N. Caspar Co. 1916. Pp. 59. \$15.)
- COHEN, J. H. *The law; business or profession?* (New York: Banks Law Pub. Co. 1916. Pp. 415. \$2.50.)
- COMBAT, F. J. *Manuel des opérations de bourse.* New edition. (Paris: Berger-Levrault. 1916. 6 fr.)

- DENCH, E. A. *Advertising by motion pictures*. (Cincinnati: Standard Pub. Co. 1916. Pp. 255. \$1.50.)
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- DUFF, A. M. *Manufacturers hourly basis wage calculator for pay rolls and labor costs; shows the amount for every quarter hour from one quarter hour up to 144 hours, calculated for each half cent of wages from 8 cents per hour up to and including 80 per hour; 145 schedules*. (Boston: A. M. Duff. 1916. Pp. 157.)
- DUNLAP, G. S. *Philadelphia investors 1916*. (Philadelphia: Dunlap Prtg. Co. 1916. Pp. 117. \$10.)
- GIBSON, T. *The pitfalls of speculation*. 1916 edition. (New York: Moody Mag. & Bk. Co. 1916. Pp. 184. \$1.)
- HALE, S. R. *Short talks on retail selling*. (New York: Funk & Wagnalls. 1916. Pp. 170.)
- HAWORTH, S. G. *Cotton seed oil mill bookkeeping, illustrating the use of the voucher system*. (Battle Creek, Mich.: Ellis Pub. Co. 1916. Pp. 55. \$.65.)
- JACKSON, F. DeF. *The Jackson system of mercantile reporting; practical and tested rules on the best and quickest way to establish a mercantile credit reporting agency*. (Columbus, O.: Speers-Simpson Co. 1916. Pp. 92. 35c.)
- JONES, E. D. *The administration of industrial enterprises. With special reference to factory practice*. (New York: Longmans. 1916. Pp. vi, 442.)  
To be reviewed.
- KLEIN, R. *Quick calculator: currency reductions*. (New York: Dutton. 1916. Pp. 13. 80c.)  
The text is in English, French, and Russian; the tables show reductions from any one into any other system of weight, measure, or coinage.
- LEICHTER, E. *Successful selling. A treatise covering essentials of selling efficiency*. (New York: Funk & Wagnalls. 1915. Pp. 78.)
- SEABROOK, E. L. *How to make the business pay; a practical treatise on business management for contractors in sheet metal work, plumbing, heating, electrical work and building construction; with methods for ascertaining the cost of conducting collections and credits, publicity and business correspondence, securing and retaining custom*. (New York: Sheet Metal Pub. 1916. Pp. 173. \$2.)
- SHAW, A. W. *An approach to business problems*. (Cambridge: Harvard Univ. Press. 1916. Pp. xxvi. 332. \$2.)
- TARBELL, I. M. *New ideals in business. An account of their practice*

- and their effects upon men and profits.* (New York: Macmillan. 1916. Pp. 339. \$1.75.)
- THOMPSON, C. B. *How to find factory costs.* (Chicago: A. W. Shaw. 1916. Pp. 191, charts. \$3.)
- THRIFT, T. B. and others. *Business letters, how to write them.* (Jackson, Mich.: Business Eng. Pub. Co. 1916. Pp. 125. 85c.)
- WEBNER, F. E. *Factory accounting.* (Chicago: La Salle Exten. Univ. 1916. Pp. 300. \$3.30.)
- WIGENT, W. D. and others. *Modern filing; a text book on the office system.* (Rochester, N. Y.: Yawman & Erbe Mfg. Co. 1916. Pp. 100. \$1.)
- ZIMMER, G. F. *The mechanical handling and storing of materials.* (New York: Van Nostrand. 1916. Pp. 744.)
- Classified C. P. A. problems and solutions—1915.* (New York: Ronald Press. 1916. Pp. 350. \$3.)
- Based on the 1915 examinations of twenty states, there are 224 questions, classified according to 117 subjects which fall under theory of accounting, practical accounting, and auditing (not commercial law). The answers have been supplied by Henry C. Cox, Hazen P. Philbrick, Paul J. Esquerre, John H. Schnackenberg, D. C. Eggleston, Arthur B. Sinclair, Earl A. Saliers, and others. A special glossary includes about 100 other questions from the examinations which involve accounting terminology.
- The land-title registration act of the state of New York.* Second edition. (Albany, N. Y.: Bender. 1916. Pp. 87.)
- Mental ability.* Course in business essentials, vol. 3. (New York: Business Training Corporation. 1916. Pp. 141.)
- Federal bill of lading act (Pomerene act) making negotiable bills of lading in interstate and foreign commerce; effective Jan. 1, 1917.* (Boston: Merchants National Bank. 1916. Pp. 36.)
- Harvard system of accounts for shoe wholesalers. Explanation of the profit and loss statement.* Bulletin no. 6, Bureau of Business Research. (Cambridge: Harvard Univ. Press. 1916. Pp. 41. 50c.)
- Harvard system of stock keeping for shoe retailers.* Bulletin no. 7, Bureau of Business Research. (Cambridge: Harvard Univ. Press. 1916. Pp. 37. 50c.)
- Harvard system of operating accounts for wholesale grocers. Explanation of the profit and loss statement.* Bulletin no. 8, Bureau of Business Research. (Cambridge: Harvard Univ. Press. 1916. Pp. 43. 50c.)
- The one hundred best investments.* (London: British Foreign Colonial Corporation. 1916. Pp. 103. 1s.)
- Status of bonds under the federal income tax.* (New York: Standard Statistics Co. 1917. Pp. 158. \$2.)

*Synopsis of the laws of the Dominion of Canada respecting the sale of food and other commodities.* (Ottawa: Dept. of Trade & Comm. 1916. Pp. 16.)

### Capital and Capitalistic Organization

*The Telephone and Telephone Exchanges. Their Invention and Development.* By J. E. KINGSBURY. (New York: Longmans, Green and Company. 1915. Pp. x, 558. \$4.00.)

Any one interested in the development of a public utility which has become in this country one of the most important servants of society and of commerce, will find this book significant and of value. It is intended by its author to comprise a short history of the telephone industry, and it is in fact an abbreviated or condensed history of the development of invention in the art of the telephone.

The book opens with interesting chapters describing the state of science anterior to the invention of the telephone by Alexander Graham Bell, and these are followed by chapters relating to the scientific characteristics of spoken language and to the development of Mr. Bell's ideas which eventuated in the telephone itself. All of this matter is interesting to one who would study the history of the development of this great, revolutionary invention, which has had a tremendous influence upon society. These eight chapters are all compressed in 76 pages, and therefore are perhaps too condensed to show the full romance of the early telephone work.

In opening the ninth chapter, the author says, "To the present generation familiarity in the use of the telephone has dulled the sentiment of wonder once existing that speech should be transmitted or that means should be found for diverting that speech from line to line at the speaker's desire. So promptly was science applied to commercial and social uses; so generally, after a time, was the application taken advantage of, that the wonder has evaporated and the user only become the more exacting in his requirements." Then follow a number of chapters comprising some hundred pages, dealing with the physical construction of the modern apparatus, including the exchange switchboards and associated apparatus, the transmitters and receivers, the call bells and other auxiliary devices, and the manner of their development and association into the modern complex commercial telephone system.

The book may be analyzed into sub-divisions comprising: The history of the growth of the idea of Bell and its introduction into commercial use; the development of the telephone exchange, with all its details; organization of the telephone industry in the United States, presented by the author in a most interesting manner; the development of great exchanges, with the so-called multiple switchboard, and utilizing underground cables in the larger cities; the engineering problems and difficulties which had to be met and overcome in making telephoning in great cities a success, which included the development of satisfactory underground cables, the putting of telephone engineering on a scientific and rational basis, the changing from the so-called series arrangement of devices to the branching or "bridging" system (a change apparently small in itself, but of far-reaching influence), the introduction of the common battery system in the form of a storage battery at the central office in substitution of the primary cells which had theretofore been used in each of the customer's appliances, and the development of automatic service; the development of long distance service and the modifications which this has imposed on the character of the instruments to be used in telephony; the prices of telephone service and the extent of the service in the different parts of the world.

The text is followed by appendices, showing telephone statistics of the world. Appendix B emphasizes the fact that the British government found it necessary in 1915 to increase the prices charged by the government telephone department.

The telephone statistics given in the appendices are now three years old, being dated January 1, 1914, but the relative importance of the telephone in the different countries still is similar to that given in this book. Of the nearly 15,000,000 telephones in the world on January 1, 1914, over 9,500,000 were in the United States. Of the nearly 5,500,000 outside of the United States, over 4,000,000 were in government systems, and in no country solely dependent on a government system has the telephone received such a tremendous development as in the United States. That this is due to the fact that our telephones are wholly in the hands of private companies who have exercised a superior degree of initiative and resourcefulness for the sake of enlarging the business to its fullest possibilities may be denied by some people, but it is not open to argument that nearly 65 per cent of the total world telephones are operated by private companies of the

United States, and that the United States is the only country in which there is such a widespread use of telephones that the people are using nearly 10 telephones for each 100 persons in population. No other country, with the exception of Canada—in which again most of the telephones are operated by private companies—exceeds one half of the number of telephones per 100 capita which is characteristic of the United States. In the European countries, the relation of the telegraph to the telephone may have something to do with this difference, but this can only account for the lesser part of the difference. In the Netherlands, with their tremendous density of population of nearly 500 people to the square mile, there are less than  $1\frac{1}{2}$  telephones per 100 of population. Norway and Sweden, notable among European states for their telephone density, have only 4 telephones per 100 of population, although a good part of the telephones of those countries are in government systems, and are supposed to be operated more economically than privately owned telephones in the United States.

These statistics also show that there is but one city in the world outside of the United States which has as large a telephone development in proportion to its population as the average for the 33 cities in the United States with over 200,000 population, and also the fact that the rural districts of no other country except the United States have come to use telephones so extensively that the rural telephones per capita of the rural population are nearly equal to the telephones per capita in the cities.

In the fiscal year 1913, according to these statistics, the receipts per telephone in the United States averaged \$33, while they averaged \$34 for the total of the world. The average for European countries, where an overwhelming proportion of the telephones are government owned (3,500,000 being government owned, to about 500,000 privately owned), the average receipts per telephone were \$35, ranging from \$21.20 for the government telephones of Luxemburg to \$50 for both private and government owned (about half and half) in Spain.

To those who believe that the telephone service of the United States is over expensive to the average user, a study of the statistics in this book is likely to be illuminating, provided reliance for conclusions may be placed on comparisons between the statistics of privately owned and government owned systems. The impartial student of these statistics may arrive at the conclusion that the telephone prices in the United States are not likely to be

solved by large average reductions, whether the service remains in the hands of private companies or goes into the hands of the government, but can only be solved by considering the cost of the service to the different classes of users, so that users shall pay more directly in proportion to what they actually obtain from the telephone company in the way of messages. This may call upon the larger users to pay more, but users of small and medium needs may then pay less.

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#### NEW BOOKS

BURNETT, D. F. *Cases on the law of private corporations, selected and supplemented with notes.* (Boston: Little, Brown. 1916. Pp. 140.)

MAYOR, J. *Government telephones. The experience of Manitoba, Canada.* (New York: Moffat, Yard. 1916. Pp. viii, 176. \$1.)

WORMSER, I. M. *Illustrative cases on corporations. A companion book to Clark on corporations, third edition.* (St. Paul: West Pub. Co. 1916. Pp. x, 451. \$2.50.)

I. *Opposing government ownership and operation of public utilities.*  
II. *Advocating exclusive regulation of all railroads by the federal government.* (New York: Merchants' Association of New York. 1916. Pp. 55.)

*The federal antitrust laws with amendments.* (Washington: Dept. of Justice. 1916. Pp. 105.)

#### Labor and Labor Organizations

*The Boot and Shoe Industry in Massachusetts as a Vocation for Women.* By the DEPARTMENT OF RESEARCH OF THE WOMEN'S EDUCATIONAL AND INDUSTRIAL UNION (Boston). Studies in Economic Relations of Women, Vol. VI. Bulletin of the United States Bureau of Labor Statistics, Whole No. 180; Women in Industry Series, No. 7. (Washington: United States Department of Labor. 1915. Pp. 109. 80 cents.)

*Millinery as a Trade for Women.* By LORINDA PERRY. Prepared under the direction of SUSAN M. KINGSBURY and MARIAN PARRIS SMITH. Studies in Economic Relations of Women, Vol. V. (New York: Longmans, Green and Company. 1916. Pp. xi, 134. \$1.50.)

The series of Studies in Economic Relations of Women of

which the two books under review are a part have a human interest generally lacking in statistical surveys of industries. Social and individual welfare as affected by conditions of labor is the keynote of the inquiry. But to my mind the most valuable contribution which these volumes make to this economic problem is the discussion of wage schedules involving as it does a detailed study of seasonal fluctuations of employment in trades that are dominated by the whim of fashion.

Standards of living depend most intimately upon wages received. In an earlier investigation of wages of women workers, it was estimated that a minimum wage of \$9 per week was necessary to insure a decent standard of living for women in Boston. If we bear this in mind the statistics presented in these studies become most significant.

Ranking next to textiles in the number of women employed, the boot and shoe industry "represents the high-water mark of earnings for factory women." The study of wage returns in this industry is therefore particularly instructive. Seasonal fluctuations debar many workers from steady employment; from 9,000 to 10,000 drop out of the industry entirely at dull seasons. This fluctuation varies essentially with the system of manufacture. Factories using the "stock system" where the product is little affected by styles show least variation, while those using the "order system," especially large factories making high-grade goods, show most extreme seasons. The busy seasons also vary for different localities and even for different factories in the same locality with an inevitable tendency to induce a restless shifting about, especially among the younger workers, in an unsuccessful attempt to keep employed. The wages of this class, therefore, can be considered only as supplementary. For purposes of study and analysis, interest naturally centers in the earnings of "steady workers," those who work at least 48 weeks, most of them indeed work 50 and 51 weeks, for here we really gauge what women workers may earn in this industry. An important fact at once made evident in the statistical tables is "the surprising fluctuation of weekly wages" even in seasons of active production. This is illustrated in two tables (22, 23) which show the weekly wages of four hand workers and three machine workers for a period of three months. Variations ranging from \$1 to \$9 in these schedules make it evident how seldom a worker actually receives what is easily her "potential wage." Again, two tables (32, 33) show

time lost by twenty-six time workers and seventeen skilled machine workers on piece work with the consequent serious deductions from annual earnings. This time lost is shown to be seldom due to voluntary absences and must be ascribed to what is termed "factory unemployment," that is, irregularity in the amount of work given out. The net result of these factors is shown in the annual earnings of 1,313 workers, of whom 513 received \$500 or more; 800 received \$500 or less; and 670 of these received \$450 or less. That is, nearly half of these skilled steady workers received less than \$9 a week in a factory industry that is admittedly one in which women are paid the best wages.

Millinery is an attractive trade to women. Its artistic appeal, the social status accorded its workers, and the incentive of high wages obtainable at the top make it a popular choice of young girls. It has, however, many drawbacks from the point of view of the woman who needs an occupation for self-support. With the exception of "trimmers," a comparatively small group of skilled and artistic workers who receive high wages, the statistics presented in this study show that the rank and file of "makers," comprising fully three quarters of those in the trade, at best receive nominal weekly wages of \$8 to \$9, which in the majority of cases average less than \$5 a week for the year. Millinery is indeed a good example of "a parasitic trade," "a trade employing partially subsidized woman's labor," the worker being in part dependent upon the family group.

Seasonal employment reaches its greatest exaggeration in millinery. The busy season means "rush work," the taking on of a large force of temporary helpers, serious physical and nervous strain for employees and over-time work. The dull season brings the problem of unemployment which has not yet been satisfactorily solved by any "scheme of dovetailing several trades." The swing of fashion together with "a chronic over-supply of labor" exert the strongest influence in bringing about present conditions in this "absolutely unorganized and unregulated trade." It is therefore suggested that correctional influences would be organization of employers to solve the seasonal problems and to modify the vagaries of fashion, organization of employees for self-protection and to raise their own industrial standards, and a campaign of education among consumers to make them more intelligent and considerate in demands. As far as possible, also, young workers should be warned against the trade; "only those of ex-

ceptional skill, persistency, or economic resources should be permitted to enter."

We are here confronted by the cold fact that even in the ranks of skilled labor, it is but a small minority of women who can be considered to be properly self-supporting. We certainly should not regret that for a large class of women employment is only a means of supplementing a fairly adequate family income. The presence of these workers in the industrial field does, however, seriously complicate the problem of self-support for less fortunately situated women.

Such studies as these not only bring this problem squarely to the front but also contribute much valuable material towards its solution. Those who are interested in problems of minimum wage legislation, vocational guidance and instruction for the trades will find a fund of reliable information in these volumes.

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*Collective Agreements in the Men's Clothing Industry.* By CHARLES H. WINSLOW. Bulletin of the United States Bureau of Labor Statistics, Whole No. 198; Conciliation and Arbitration Series, No. 7. (Washington: Government Printing Office. 1916. Pp. 186.)

The present volume represents the seventh report in the series issued by the United States Bureau of Labor Statistics under the subject of Conciliation and Arbitration. The report is divided into two parts, the first dealing with agreements between Hart, Schaffner and Marx and their employees, and the second with agreements between the unions and associations of manufacturers. The first of these is much more satisfactory than the second, which does little more than to present the provisions embodied in the various agreements.

The machinery for collective bargaining and mediation in the Hart, Schaffner and Marx establishment has been developed gradually as the result of the serious strike during the latter part of 1910. In January, 1911, an agreement was negotiated between the workmen and their employers which provided for a board of arbitration, one member to be selected by the employers, one by the employees, and a third by the two previously chosen. This board, for which it was found impossible to get a third member, was to adjust the existing difficulty and to fix a method for settling grievances which might arise in the future.

As the result of the efforts of the board, the strike was settled and a working agreement was adopted which was to remain in force for two years. The arbitration board was continued so as to provide a final court to which grievances of the workmen might be referred. Relief was to be sought first at the hands of the labor complaint department which was created by the company to hear and remedy grievances. However, this plan did not work satisfactorily because appeals were made too frequently to the board of arbitration and the settlement of many of the controversies required a technical knowledge of the industry which neither of the members of the board possessed. A trade board was accordingly created to which all grievances are immediately referred. This board consists of five practical men in the trade, two appointed by the employers and two by the employees, the chairman being appointed by the committee which organized the trade board. Each side appoints a deputy.

When a complaint arises the two deputies immediately endeavor to bring about a settlement. If they fail the grievance comes before the trade board. Failing of adjustment here, the grievance is then brought before the board of arbitration for final action. The activity of the trade board has smoothed out many differences between the firm and the workers, and has relieved the board of arbitration of a great deal of its work. The cases considered and disposed of under the agreement have included claims of wrongful discharge, adjustment of work and prices, demand for the reduction of the number of employees, the preferring of non-union help, and the ill treatment of employees. Of the cases disposed of by the trade board, 27.4 per cent were compromised, 27.4 per cent were decided in favor of the employees, and 24.2 per cent in favor of the company.

The status of the unions in the industry has been improved by preferential treatment in the matter of hiring, laying off and discharging of employees. This preferential treatment has naturally resulted in a rapid growth in union membership, so that in 1914 between 80 and 90 per cent of the employees of Hart, Schaffner and Marx were members of the union. The agreements between this firm and their employees have been in force with renewals since 1911, and that they have been highly successful in maintaining satisfactory relations between the firm and its workmen is attested by both sides.

Besides the agreement between the firm of Hart, Schaffner and

Marx and its employees, Mr. Winslow finds collective agreements between ten associations of employers and their workmen. Of these, seven provide some method of mediation, and nine provide machinery for arbitration. Six have provision for a union shop, and two others for a preferential union shop. These various agreements are all published here in detail.

The attainment of success in collective bargaining in the clothing trades Mr. Winslow properly considers a noteworthy achievement because the conditions prevailing in the industry would seem to render any collective action impossible. The workers were not only aliens but came from a number of distinct races, having frequently not even a common language. They were unskilled, uneducated, lacking in material resources, constantly submerged under new waves of immigration, and very poorly paid. Yet they have succeeded in some cases in establishing what amounts practically to a closed shop, have developed a militant and effective union, and have shown themselves to be intelligent and capable of self-government. If collective bargaining succeeds so well under conditions which look so unpromising there is surely reason to suppose that it could be introduced with satisfactory results into industries where conditions are more favorable.

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#### NEW BOOKS

- COLLIE, J. *Articles on industrial accidents and occupational diseases, including suggestions to attending doctors, medical examiners, and claim adjusters.* (London: Employers' Liability Assurance Corporation, Ltd. 1916. Pp. 66.)
- GREENWOOD, J. H. *A handbook of industrial law.* (London: Univ. of London Press. 1916. Pp. 288.)
- KENT, A. F. S. *Second interim report on an investigation of industrial fatigue by physiological methods.* Cd. 8335. (London: Wyman. 1916. 1s. 6d.)
- MACLEAN, A. M. *Wage-earning women.* (New York: Macmillan. 1916. Pp. 180. 50c.)
- MEYER, H. H. B. *List of references on child labor.* Industrial series no. 3. Bureau publication no. 18. (Washington: Children's Bureau. 1916. Pp. 161.)
- O'HARA, E. V. *A living wage by legislation: the Oregon experience.* (Salem, Oregon: Industrial Welfare Commission. 1916. Pp. xxiii, 57.)

- RICHEY, H. *Richey's federal employers' liability, safety appliance, and hours of service acts.* Second edition. (Charlottesville, Va.: Michie Co. 1916. Pp. 795. \$6.50.)
- SUGAR, M. *Working class justice; a popular treatise on the law of injunctions in labor disputes.* (Detroit, Mich.: Detroit Federation of Labor. 1916. Pp. 40. 5c.)
- WILLIAMS, J. E. and others. *The Hart Schaffner & Marx labor agreement.* (Chicago: Hart Schaffner & Marx. 1916.)
- WILLITS, J. H. *Steadying employment, with a section devoted to some facts on unemployment in Philadelphia.* (Philadelphia: Am. Acad. Pol. & Soc. Sci. 1916. Pp. 104.)
- Annual reports of national officers of the American Flint Glass Workers' Union.* (Toledo, O.: Kraus & Schreiber. 1916. Pp. 107.)
- International labor forum.* (New York: Latin-American News Association. 1916. 10c.)
- The labor law and the industrial code. With amendments, additions, and annotations to July 1, 1916.* Printed in advance from the annual report of the Department of Labor for 1916. (Albany: Bureau of Statistics and Information. 1916. Pp. 258.)
- Macdonald directory of labor organizations, Chicago and vicinity.* (Chicago, 154 West Randolph St. 1916. Pp. 64. \$5.)
- Ninth report of the registrar of boards of conciliation and investigation of proceedings under the industrial disputes investigation act, 1907 for the fiscal year ending March 31, 1916.* (Ottawa. 1916. Pp. 204.)
- Proceedings of the fortieth convention of the American Flint Glass Workers' Union held at Tiffin, O., July, 1916.* (Toledo, O.: Kraus & Schreiber. 1916. Pp. 284.)
- Report of the health of munition workers committee. Memorandum no. 13, Juvenile employment.* (London: Wyman. 1916. Pp. 8.)
- Report of proceedings at the forty-eighth annual trades union congress at Birmingham, September 1916.* (London: Wyman. 1916. 1s.)
- Rapport au nom de la commission mixte du travail et du chômage, relativement aux mesures à prendre pour procéder à l'organisation du travail au moment de la démobilisation, présenté par Henri Sellier et Emile Deslandres.* (Paris: Conseil Générale de la Seine. 1916. Pp. 59.)

## Money, Prices, Credit, and Banking

### NEW BOOKS

- BOSS, W. L. *The Boss plan for making the bank check good for its face value of 100 cents on the dollar throughout the United States.* (New York: Appeal Ptg. Co. 1916. Pp. 19. 50c.)

- CURETON, C. M. and HARRIS, W. M. *Banking laws of Texas, with annotations, forms, opinions of the attorney general.* (Austin: Southern Law Bk. Pub. 1916. Pp. 875. \$7.50.)
- DICKSON, T. H. and MAYES, E. *Banking and commercial statutes of Mississippi, from the code of 1906 and the legislative acts of 1908, 1910, 1912, 1914, and 1916.* (Chicago: Rogers & Hall Co. 1916. Pp. 178. \$3.)
- EATON, J. N. *Commercial paper: its history and development and the probable effect of the federal reserve act.* (New York: Bankers Pub. Co. 1916.)
- FOOTE, A. R. *The injustice of the federal farm loan law.* (Columbus, O.: Am. Progress Pub. Co. 1916. Pp. 26. 25c.)
- GUEVARA, L. *Towards reorganization of international finance.* (London: Simpkin, Marshall, Hamilton, Kent & Co. 1916. 3s. 6d.)
- HAM, A. H. *The object of the credit union. A reply to Myron T. Herrick.* Reprinted from the *New York Sunday Times.* (New York: Russell Sage Foundation. 1916. Pp. 10.)
- HAM, A. H. *People's bank. Address delivered before the National Conference of Charities and Corrections, Indianapolis, Ind., May 15, 1916.* (New York: Russell Sage Foundation. 1916. Pp. 13.)
- KEMMERER, E. W. *Modern currency reforms. A history and discussion of recent currency reforms in India, Porto Rico, Philippine Islands, Straits Settlements and Mexico.* (New York: Macmillan. 1916. Pp. xxi, 564. \$2.40.)  
To be reviewed.
- KNIEFFIN, W. H., JR. *The practical work of a bank.* Second edition. (New York: Bankers Pub. Co. 1916. Pp. 650. \$5.)
- MACDONALD, G. *The evolution of coinage.* (New York: Putnams. 1916.)
- PATTERSON, E. L. S. *Notes on foreign exchange and a glossary of financial terms.* (Toronto: Shaw Corres. School. 1916. Pp. 236.)  
To be reviewed.
- PERINE, E. T. B. *The story of the trust companies.* (New York: Putnams. 1916. Pp. xvii, 327. \$1.50.)
- PRATO, G. *Problemi monetari e bancari nei secoli XVII. e XVIII.* (Torino: Soc. Tip. Ed. Nazionale. 1916. Pp. 315.)
- THRALLS, J. *The clearing house.* (New York: Am. Bankers Assoc. 1916. Pp. x, 79. \$1.)
- WHEELER, D. B. *A new system of banking and credit, established by pooling small bank balances in a single joint account.* (Washington: Hayworth Pub. House. 1916.)
- Banks and banking.* (New York: Am. Inst. Banking. 1916. Pp. 304. \$2.)

Among the contributors are H. Parker Willis, C. W. Allendoerfer, Harold J. Dreher, Jerome Thralls, and George E. Allen.

*Bulletin of the National Federation of Remedial Loan Associations, November, 1916. Proceedings of the eighth annual convention, Detroit, Mich., June 22-24, 1916.* (George E. Upson, 107 Paul Bldg., Utica, N. Y. Pp. xiii, 51.)

The following papers are here reprinted: "The year's progress," by A. H. Ham; "Conditions in Ohio under the law of 1915," by Arthur D. Baldwin; "Advertising," by George E. Upson; "The Morris plan," discussion; "Recording mortgages," by F. E. Stroup; "Standards of salaries," by A. L. Whitmer; and "The future of the remedial loan movement and the outlook for national federation," by Hugh Cavanaugh. A table shows the work of the remedial loan societies for 1915-1916.

*Departmental committee on prices. Interim report on meat, milk, and bacon.* Cd. 8358. (London: Wyman. 1216. 2s. 6d.)

*The federal estate tax law and regulations (inheritance tax).* (New York: Guaranty Trust Co. 1916. Pp. 35.)

*The federal farm loan act. With marginal notes and index.* Sen. Doc. No. 500, 64 Cong., 1 Sess. Prepared by the Joint Committee on Rural Credits. (St. Louis: Am. Nat. Bank of St. Louis. 1916. Pp. 49.)

*Trust companies of the United States, 1916.* (New York: U. S. Mortgage & Trust Co. 1916. Pp. 1x, 519.)

This is the fourteenth edition. The statistics of 1932 companies are given and there is a digest of state legislation relating to trust companies, with the reserves which they are required by law to keep. The volume is handsomely printed and maintains the standard set by previous issues.

*What it costs to run a bank; a report by the Bureau of Business Standards of the A. W. Shaw Company.* (Chicago: A. W. Shaw. 1916. \$2.)

### Public Finance, Taxation, and Tariff

*The Colonial Tariff Policy of France.* By ARTHUR GIRAULT. Edited by CHARLES GIDE. Carnegie Endowment for International Peace, Division of Economics and History. (Oxford: At the Clarendon Press. 1916. Pp. 305. \$2.50.)

This is one of the two initial publications issued by the Division of Economics and History of the Carnegie Endowment for International Peace; the other being Grunzel's *Economic Protectionism*. Professor J. B. Clark, the director of the division, has introduced the series with a preface which is identical for the two volumes. Professor Girault's book is said on the title-page to be

edited by Professor Charles Gide; there is, however, nothing in the way of explanation or comment from the editor. Presumably he has been responsible only for the selection of author and topic.

The book gives a narrative and critical account of the colonial policy of France. A first part, comprising about half the contents, gives a historical sketch of that policy. The second and concluding part takes up the present colonies one by one—the Small Colonies, Indo-China, Madagascar and dependencies, West Africa, Equatorial Africa, Algeria, Tunis, and Morocco—and describes and discusses their present relations with the mother country. In style and arrangement it is a typical and creditable example of French scholarly work. It is fluently and clearly written, well arranged, supplied with convenient introductions and summaries; and there is a good index. The passages that involve criticism and reasoning are sensible, but cannot be said to show a thorough grasp of general economic theory or of the principles of international trade.

The most interesting period in the long story is that of the last generation; that is, since the culmination of the protectionist reaction in France in the tariff act of 1892. Then was adopted for the main colonies the general policy of "tariff assimilation." By this term is meant that the main colonies (by no means all) are treated as an integral part of French tariff territory. French goods are admitted free into the colonies, and colonial goods are admitted (in the main) free into France. Foreign goods pay the same duties on importation either into the colonies or into France; hence colonial and French producers have alike the protection of the French tariff. The system obviously cuts two ways, and even from the protectionist point of view is by no means without disadvantage to the mother country. The French producers find themselves exposed to the free competition of colonial producers. More important, the colonial producers of such commodities as sugar, coffee, and cocoa gain in France the benefit of the French duties on foreign competing products. A curious illustration is found in the duties on such colonial products as coffee and cocoa. Under the tariff legislation of 1892 these were "half assimilated"; that is, they were admitted at one half the duties levied upon coffee and cocoa coming from foreign countries. The colonies demanded the full application of the principle of assimilation—that their coffee and cocoa should be admitted free; and this was finally granted in 1912. The obvious effect is that they get a pro-

tection equal to the duties, designed to be purely fiscal, upon foreign coffee and cocoa. To all intents they get a bounty equal to the amount of this duty; precisely as Hawaiian sugar had a quasi-bounty in the United States under the reciprocity arrangements which preceded our formal acquisition of Hawaii. Underneath the whole discussion of these duties one sees the influence of the persistent notion, fostered by the usual protectionist mode of discussion, that a duty on imports is a tax not on the country in which the imports are consumed but one on the country whence the imports come.

The tariff reformers in France, among whom the author is to be ranked, are now championing the principle of "tariff personality." This means that each of the important colonies (such as Madagascar and Indo-China) is to be treated separately, and that tariff arrangements are to be made to suit the special needs of each colony. Evidently an important aim is that foreign products shall be admitted into these colonies not at the full rates of the French tariff (as they are under the policy of assimilation) but at lower rates. Professor Girault supports this policy by considerations of all kinds, among them some that are designed to appeal to the protectionists themselves. He maintains, for example, that the unflinching application of the French tariff régime lays burdens upon some of the colonies, prevents them from developing, and hence prevents them from being good customers for the French themselves—the old story of the supreme importance of sales, customers, markets!

The reader interested in the details of colonial policy will find in Professor Girault's book as clear a statement of the intricacies of French colonial methods as is consistent with completeness and fullness. At best the description cannot be made entirely simple. The different colonies are subjected to very different treatment, even beyond the general division into assimilated and non-assimilated colonies. These differences, moreover, are brought about not merely by legislation, but by the administrative decrees which French legislative practice so often authorizes. The discretion commonly given to administrative authorities in France has great advantages, permitting an elasticity and flexibility which the rigor of our cumbrous American laws makes impossible. But this same circumstance brings no small difficulties for the student, who can ascertain the actual working of a particular measure only by following a series of administrative decrees not recorded in the sources

usually accessible to him. This volume enables one to follow the situation in all essentials; and altogether it is to be commended as a well-balanced and thorough piece of scholarly work.

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#### NEW BOOKS

AGHNIDES, N. P. *Mohammedan theories of finance. With an introduction to Mohammedan law and a bibliography.* Columbia University studies in history, economics, and public law, vol. LXX, no. 166. (New York: Longmans. 1916. Pp. 540. \$4.)

The author calls his dissertation "an attempt to give a comprehensive exposition of the Mohammedan financial theories in their entirety with special emphasis, when possible, on the reasons underlying them." The reservation is quite in point, and his desire to be superlatively comprehensive has tempted him to stray from his declared object into bypaths where at times he narrowly escapes losing himself: *Qui trop embrasse, mal étreint*.

The germ of the Muhammadan system of finance is contained in Surah VIII, 42, of the Qur'an, rightly entitled "The Spoils." Its development could not help being influenced by the characteristic notions of Islam, which recognizes the individual rather than the community and even now has no clear conception of the idea we express by the word state. Based on the division of the spoils of war in its primary stage, it subjected the conquered unbeliever to a tribute, intended to defray the expenses of the general administration while the zakat or tax imposed upon the well-to-do believer was exacted, as the name implies, by way of purification—namely, to sanctify his possession of the remainder—and constituted a separate fund, called God's property, to be kept apart from the common property of the Moslem because devoted to charitable purposes. With a more arbitrary since more opportunist interpretation of law and custom in the matter of finance, the observance of this distinction became less strict and the financial system assumed gradually the forms expatiated upon by the author principally from the standpoint of the Hanefites.

Dividing his work into two parts, the first of which serves as an introduction to the second or main one, a treatise on the financial theories proper, the author overwhelms us with a mass of detail, in itself very instructive but not always relevant or of proportionate explanatory value, and sometimes hard to disentangle. He presupposes a good deal of discrimination in his readers, who need much patient labor to arrive at a correct classification of the minutiae adduced to illuminate the evolution of modes of procedure illustrative of the truth, nowhere more discernable than in Muhammadan theories of finance, though this dissertation leaves it only to be inferred, that in the beginning men create institutions in the end to be moulded and governed by them.

The volume concludes with the announcement of a third part in which the origins of the Muhammadan system of taxation and its relation to theory will be discussed.

BROWN, J. C. *Every American's business; the tariff and the coming trade war.* (New York: M. Kennerley. 1916. Pp. 313. \$1.50.)

CLOUD, J. D. *The financial problem of cities.* (Cincinnati, O.: J. D. Cloud. 1916. Pp. 16.)

CUSTIS, V. *The state tax system of Washington.* (Seattle: University of Washington. 1916. Pp. vi. 142.)

GAFFNEY, J. P. *Taxation and new sources of revenue.* (Philadelphia: Finance Committee of the Philadelphia Councils. 1916. Pp. 22.)

GRUNZEL, J. *Economic protectionism.* Carnegie Endowment for International Peace. (Oxford: Clarendon Press. 1916. Pp. xiii, 357. 8s. 6d.)

To be reviewed.

HECHT, R. S. *Municipal finances of New Orleans, 1860-1916.* (New Orleans: Hibernia Bank & Trust Co. 1916. Pp. 32.)

HOBSON, J. A. *The new protectionism.* (London: Unwin. 1916. Pp. xx, 152. 2s. 6d.)

HOSMER, F. J. *The tariff. A short study upon an important subject.* (Boston: Home Market Club. 1916. Pp. 45.)

LAGAILLARDE, J. *L'impôt sur les bénéfices des guerres extraordinaires.* (Toulouse: Librairie Soubiron. 1916.)

LEWIS, H. T. *Summary of the revenue laws of Idaho.* (Moscow: Univ. of Idaho. 1916.)

MCDONALD, E. L. *Taxation of mortgages in Kentucky.* (Louisville: Real Estate Board. 1916. Pp. 67.)

MADSEN, A. W. *The state as manufacturer and trader. An examination based on the commercial industrial and fiscal results obtained from government tobacco monopolies.* (London: Unwin. 1916. Pp. ix, 281. 7s. 6d.)

MOHUN, B. *The United States income tax law, the estate tax law, the munition manufacturer's tax law, and the capital-stock tax law, approved September 8, 1916.* (Washington: B. S. Adams. 1916. Pp. 70. 50c.)

MONTGOMERY, R. H. *1917 income tax procedure.* (New York: Ronald Press. 1916. Pp. 450. \$2.50.)

TUCKER, R. S. *A syllabus in public finance.* (Ann Arbor: Univ. of Mich. 1916. Pp. 38. 75c.)

UNDERHAY, F. G. *Income tax.* New edition. (London: Ward, Lock. 1916. Pp. 272. 2s.)

- WITHERS, H. *International finance*. (New York: Dutton. 1916. Pp. viii, 186. \$1.25.)
- ZOLLER, J. F. *Taxation of business corporations in the state of New York*. (New York: Real Estate Assoc., State of N. Y. 1916. Pp. 27.)
- Civic assessment commission report*. (St. John, N. B. 1916. Pp. 139.)
- The cost of municipal government in Massachusetts. Ninth annual report on the statistics of municipal finances for city and town fiscal years ending between November 30, 1914, and March 31, 1915*. Pub. Doc. No. 79. (Boston: Bureau of Statistics. 1916. Pp. xxxi, 301.)
- Income tax law; analysis and comment*. (Third edition.) *Together with estate tax law*. (New York: Harris, Forbes & Co. 1916. Pp. 125.)
- List of references on the taxation of intangible property (with special reference to mortgages)*. Typewritten. (Washington: Library of Congress. 1916. Pp. 6.)
- The Massachusetts income tax*. (Boston: Old Colony Trust Co. 1916. Pp. 57.)
- New federal tax laws, September 8, 1916; income tax law, war revenue law, estate tax law, munitions tax law, miscellaneous taxes*. (New York: Broadway Trust Co. 1916. Pp. 22. 50c.)
- New York City's administrative progress, 1914-1916: a survey of various departments under the jurisdiction of the mayor*. (New York: Dept. of Finance. 1916. Pp. 351.)  
A report based on a survey conducted by Henry Bruère, city chamberlain.
- Omnibus revenue act of 1916*. (San Francisco: Savings Union Bank and Trust Co. 1916. Pp. 90.)
- Single tax and its Cleveland champions; letters and answers published in the Catholic Bulletin*. (Cleveland, O.: Prompt Ptg. Co. 1916. Pp. 32. 5c.)
- Standard manual of the income tax*. 1917 edition. (New York: Standard Statistics Co. 1917. \$2.50.)
- Status of bonds under the federal income tax*. Advance 1917 edition. (New York: Standard Statistics Co. 1916. Pp. 158. \$2.)
- The secured debts tax law of the state of New York, and the mortgage tax law of the state of New York*. (New York: Guaranty Trust Co. 1916. Pp. 56.)
- Summary of Australian financial statistics, 1906-1915*. Finance bulletin no. 9. (Melbourne: Office of Statistics. 1916. Pp. 82.)
- The transfer tax law of the state of New York, complete, including the amendments of 1916, being the article entitled "Taxable transfers,"*

- constituting article 10, chapter 62, of the laws of 1909, as amended.* (New York: Guaranty Trust Co. 1916. Pp. 47.)
- Translation of the New Chilean customs tariff law, with comparison of the new rates of duty and those leviable under the former tariff.* (London: King. 1916. 1s.)
- The United States tariff commission, in effect September 9, 1916.* (New York: Guaranty Trust Co. 1916. Pp. 15.)
- War loans and war finance.* Second edition. (New York: Mechanics & Metals National Bank. 1916. Pp. 39.)
- The work of the Colorado tax commission. A report prepared for the Survey Committee of State Affairs, state of Colorado,* by ROBERT MURRAY HAIG, with a letter of comment by EDWIN R. A. SELIGMAN. (Denver: Denver Civic and Commercial Assoc. 1916. Pp. 53.)
- Your income tax.* Revised edition for 1916-1917. (London: Nelson. 1916. 1s. 6d.)
- 1916 budget of the city of Rochester, N. Y.* (Rochester: City Comptroller. 1916. Pp. 47.)

### Population and Migration

#### NEW BOOKS

- CASTLE, W. E. *Genetics and eugenics.* (Cambridge: Harvard Univ. Press. 1916. Pp. 320. \$1.50.)
- FRANKEL, L. K. *A study of mortality statistics of southern communities.* (New York: Metropolitan Life Ins. Co. 1916. Pp. 8.)
- GURNEY, A. E. *The population of the Polish commonwealth.* (London: Allen & Unwin. 1916. Pp. 40. 6d.)
- MORE, A. *Fecundity versus civilization. A contribution to the study of over-population as the cause of war and the chief obstacle to the emancipation of women, with special reference to Germany.* (London: Allen & Unwin. 1916. Pp. 52. 1s.)
- TURQUAN, J. and DAURAIC, J. *La dépopulation française. Propositions pour la repopulation.* (Paris: Tallandier. 1916. 1.25 fr.)
- Population and vital statistics.* Bulletin no. 33. Commonwealth demography, 1915, and previous years. (Melbourne: Commonwealth Bureau of Census and Statistics. 1916.)
- Lectures and addresses on the negro in the South.* (Charlottesville: Univ. of Virginia. 1916. Pp. 128.)
- The sanitary progress and vital statistics of Hawaii.* (Newark, N. J.: Prudential Press. 1916. Pp. 82.)
- The literacy test for immigrants; a debate.* (Chicago: Delta Sigma Rho, Univ. of Chicago Chapter. 1916. Pp. 62. \$1.)

## Social Problems and Reforms

*Criminality and Economic Conditions.* By WILLIAM ADRIAN BONGER. Translated by HENRY P. HORTON. The Modern Criminal Science Series, published under the auspices of the American Institute of Criminal Law and Criminology. (Boston: Little, Brown, and Company. 1916. Pp. xxxi, 706. \$5.50.)

The author of this volume is one of the founders of the International Union of Penal Law and is perhaps the most eminent of Dutch criminologists.

In one sentence the book may be characterized as a statement of the socialist's basis of criminology and his refutation of Lombroso's theory of "the born criminal." It has, however, an interest for a much larger circle than is included by the designation of socialists, for Dr. Bonger has gathered much valuable material, all of which he presents so fairly that even those who would question the validity of his reasoning and his philosophy will find the book an aid to clear thinking.

More than one third of its 700 pages are devoted to summaries and criticisms of the literature dealing with the relation between criminality and economic conditions from the time of Thomas More to the present day. It is interesting to note that Robert Owen, one of the precursors of modern criminal science, in 1844 gave expression to views that, in general, accord with Dr. Bonger's conclusions, and which he sums up as follows: "It is not the man himself, it is his circumstances that form his character. An unfavorable environment produces a bad man, a favorable one, a good man, but the organization of the society of today is such that it awakens in a man all evil qualities."

Dr. Bonger presents interesting testimony of the statisticians who showed that with an increase in the price of grain there came a corresponding increase in the number of crimes against property together with a general decrease in the number of crimes against morals and against the person. While he does not impeach the validity of this reasoning, he warns against considering this European experience of the middle of the last century as a law of nature. Quite naturally he devotes considerable attention to the analysis and criticism of the doctrines of Lombroso, Ferri, and other members of the Italian school of criminology. His informing criticism of Ferri's anthropological, cosmic, and social factors brings the reader to a much better understanding of the content of the expression "economic conditions."

In the second part of the book the author devotes himself to a presentation of the present economic system and its consequences, and by abundant statistics he endeavors to show that the capitalist scheme of production is the cause of the crime which the weaknesses of the individual lead him to commit. While his study of the relationship of the economic conditions to crimes against property is enlightening and convincing, he is not so successful when he comes to show this same relationship in sex crimes and other crimes against the person.

In a short chapter covering ten pages near the end of the book he deals with the individual factor in crime, which in his social philosophy is clearly recognized in pathological crimes only. The number of criminals who are qualitatively different from the general group he deems almost negligibly small; but Dr. Spalding found in the examination of 400 women offenders at the Massachusetts Reformatory for Women that there were 37 per cent of abnormal mental cases. Likewise in a detailed examination of the first 300 cases in the Massachusetts Reformatory (for men) Drs. Stearns and Rossy found 22 per cent were feeble-minded, 9.6 per cent border-line cases, and 3.3 per cent probably psychotic. The highest percentage of the feeble-minded was found among prisoners guilty of sex offenses and the lowest among prisoners guilty of crimes against property, while the percentage of those who were probably psychotic subjects was highest among prisoners guilty of crimes against life. Dr. Healy throws additional light on this subject in his investigation of 1,000 young recidivists among whom he found 247 who were either morons, imbeciles, or were suffering from subnormal mentality or psychosis.

The individual case analyses that are being made by Drs. Healy, Guy Fernald, Spalding, and others are throwing light upon this individual element which Dr. Bonger considers either secondary or negligible in amount, but which they are finding too large in volume to dispose of in this way. In the normal man economic conditions provide the best explanation why crimes are committed but these recent researches would go to show that in about 25 per cent of the cases the criminal is physically or mentally predisposed to crime and the number may prove to be larger.

To Dr. Bonger's statement that "to be a good criminologist it is necessary to be a statistician but it is necessary to be a sociologist also" must now be added that he must likewise be a psychologist.

C. C. CARSTENS.

*Readings in Social Problems.* By ALBERT BENEDICT WOLFE.  
(Boston: Ginn and Company. Pp. xiii, 804. 1916.  
\$2.80.)

In determining the field to be covered by a compilation of writings on social problems, Professor Wolfe has done wisely to make the question of population his central theme. While the economic activities of society are often truthfully referred to as basic, yet there is no department of the social organization which touches so intimately and intricately practically all human relationships as that which includes the growth, size, and make-up of the population; even the economic organization itself is largely determined by the density of population. If the sociological training of young people for active and useful life in society were restricted to the mastery of one single topic, that topic should emphatically be the laws of population. A book dealing broadly and authoritatively with this subject has therefore abundant *raison d'être*. For the rest, its success and usefulness depend largely upon the judgment with which the selections are chosen.

Professor Wolfe gives evidence of wide knowledge of the literature and of careful discrimination in his choice of the selections which he has brought together. He has avoided the two undesirable extremes, on the one hand of choosing startling and novel but erratic and inconclusive discussions, and on the other hand of limiting himself to thoroughly standard and classical writings, which convey general truths already broadly familiar and therefore lacking in inspiration. The topics covered in this book fall under five main heads: *viz.*, Problems of Population, Immigration, The Woman Problem, Marriage and Divorce, and the Negro Problem in the United States. The author believes in the historical approach to modern social problems as the only method of acquiring a sound perspective, and therefore many of his selections are from writers of several generations ago. This comparison of the opinions of widely separated periods with reference to enduring human relationships is decidedly stimulating and suggestive. On the other hand, the passages from contemporary writers set forth some of the latest and most advanced views with reference to live issues. The author displays an admirable impartiality in his selections, concealing very successfully any predilections he may have in one direction or another.

It would be obviously out of place for the reviewer to attempt to criticise the subject-matter of the various chapters. The

writers from whose works Professor Wolfe has made his selections are almost all well-known and recognized authorities in their various spheres; the passages chosen are those in which each voices his special message most succinctly and clearly. There is therefore a fund of diversified and vigorous thinking on social topics, which the reader is free to weigh and evaluate according to his own judgment and standards. The book will be found to be a valuable reference work for those already somewhat familiar with the topics treated, and undoubtedly an excellent educational medium for the student who approaches the subject for the first time.

HENRY PRATT FAIRCHILD.

*Yale University.*

NEW BOOKS

ANSTRUTHER, E. H. *The farm servant.* (London: Allen & Unwin. 1916. Pp. 410. 6s.)

ARONOVICI, C. *The social survey.* (Philadelphia: Harper Press. 1916. Pp. 255. \$1.25.)

ATHERTON, S. H. *Survey of wage-earning girls below sixteen years of age in Wilkes-Barre, Pennsylvania, 1915.* (New York: National Child Labor Committee. 1915. Pp. 65. 25c.)

Largely local in value, this study suggests a type of volunteer service which is needed in every community, to interpret the community to itself. If the allied forces for betterment in each of our industrial centers of moderate size (Wilkes-Barre numbered 67,105 population in 1910) would put to themselves the queries raised by Mrs. Florence Kelley in the preface, and answered in the report, society might be stirred to eliminate some of the dreariness here pictured.

The survey contributes less to knowledge of industrial than of social questions. It helps to roll up data with regard to wages and shifting of employed minors, and the consequences, but it adds no new facts. It does, however, introduce us to social conditions when it tells us that 50 per cent of the families are Roman Catholic in religion; that "of 175 families whose fathers are foreign born," 84 daughters report no other language than English; that one fifth of the group studied (21.9 per cent) left school before they were 14 years of age, or illegally; that as many girls are idle as at work between 14 and 16 years of age (also contrary to law) if one interprets the chart correctly; that 30 per cent of the families represented are below the poverty line (if we may accept \$2 weekly income per capita without rent as the margin of safety).

The schedule is not printed, the tables and graphic material are grouped at the end of the pamphlet; unfortunately the legends are

inaccurate (VI, 3) or insufficient (VI, 4), and the presentation is sketchy. But the city of Wilkes-Barre will be the better for its accomplishment.  
SUSAN M. KINGSBURY.

BASCOM, E. L. and MENDENHALL, D. R. *List of books and pamphlets on infant welfare.* (Madison, Wis.: Free Library Commission. 1916.)

BIRGE, W. S. *True food values and their low costs, or economy in living.* (New York: Sully & Kleinteich. 1916. Pp. 218. 50c.)

BLACKFORD, K. and NEWCOMB, A. *Analyzing character, the new science of judging men; misfits in business, the home and social life.* (New York: Review of Reviews Co. 1916. Pp. 488.)

BRUCE, A. A. *Property and society.* (Chicago: McClurg. 1916. Pp. 150. 50c.)

DUNLOP, D. N. *British destiny. The principles of progress.* (London: Path Pub. Co. 1916. Pp. xi, 113. 3s. 6d.)

ESTABROOK, A. H. *The Jukes in 1915.* (Washington: Carnegie Inst. 1916. Pp. 85. \$2.50.)

FAIRCHILD, H. P. *Outline of applied sociology.* (New York: Macmillan. 1916. Pp. 353. \$1.75.)

To be reviewed.

FRANCKE, M. *Opportunities for women in domestic service.* (Philadelphia: Assoc. of Collegiate Alumnae. 1916. Pp. 64. 50c.)

GLADSTONE, H. *The abolishment of poverty in United States.* (Chicago: Society for Advancement of Public Economy. 1916. Pp. 143.)

HARRISON, S. M. *Community action through surveys.* (New York: Russell Sage Foundation, Dept. of Surveys and Exhibits. 1916. Pp. 23. 10c.)

HEDGES, A. C. *Vocational training of girls in the state of New York.* (Albany: Dept. of Education. 1916. Pp. 41.)

HEDGES, A. C. *Wage worth of school training. An analytical study of six hundred women-workers in textile factories.* (New York: Teachers College, Columbia University. 1915. Pp. 173.)

The study purposes "to gain first-hand and authoritative information for intelligent promotion of industrial training of girls for higher and more progressive wage earning," through data secured from schedules filled out by workers in factories. It claims that the trades require "health, habits of industry, and mental understanding of the demands of industrial organization." It concludes that a revision of school methods is necessary in order to secure "habits of concentration and speedy, accurate and coöperative work." The author lays emphasis on the need for dexterity and skill and advocates day-time classes in the factory conducted co-operatively by public school and employer.

The data (schedules secured from 605 workers in the factories of four different firms, each of different type) are insufficient foundation for the elaborate statistical analysis presented, and the interpretation is confused and inconclusive.

The endeavor to measure wage and experience by means of indices is commendable. But the definitions are frequently inaccurate or clumsily expressed, as in reference to experience-index and wage-index (p. 36); the calculations are unnecessarily complex; the use of the term "quartile" is incorrect (chart 14); unjustified comparisons are made between groups of very unequal size (chart 8); and the tabular and graphic presentations fail of their purpose by reason of their unscientific and unclear form and legends. (See especially tables 37 and 42 and chart 16.)

SUSAN M. KINGSBURY.

HUDSON, M. O. *A complete new set of laws for the welfare of all Missouri children.* (Columbus: Missouri Children's Code Commission, State University. 1916.)

HUDLER, J. and others. *The houses of Providence.* (Providence, R. I.: Chamber of Commerce. 1916. Pp. 96.)

KELYNACK, T. N. *The child welfare annual.* (London: John Bale, Sons, & Danielsson. 1916. Pp. 346. 7s. 6d.)

LAPP, J. A. *Our America. The elements of civics.* (Indianapolis: Bobbs-Merrill. 1916. Pp. 399. \$1.25.)

Written to set forth the elementary facts of government in this country. Contains chapters on "Some rural problems," "Conservation," "Controlling business," "Where the money comes from," and a bibliography.

LEESON, C. *The child and the war. Being notes on juvenile delinquency.* (London: Demy. 1916. 1s.)

MCGARRAH, A. F. *Modern church finance, its principles and practice.* (New York: Revell. 1916. Pp. 328.)

MINER, M. E. *Slavery of prostitution; a plea for emancipation.* (New York: Macmillan. 1916. Pp. 308. \$1.50.)

NEARING, S. *Poverty and riches; a study of the industrial régime.* (Philadelphia: Winston. 1916. Pp. 261. \$1.)

NOLEN, J. *More houses for Bridgeport.* (Bridgeport, Conn.: Chamber of Commerce. 1916. Pp. 62.)

ROSE, M. S. *Feeding the family.* (New York: Macmillan. 1916. Pp. 449. \$2.10.)

SHEPHERD, R. P. *Essentials of community efficiency.* (Chicago: Printed for the author by the Abingdon Press. 1916. Pp. xiii, 273. \$1.)

SMITH, H. B. *Establishing industrial schools.* (Boston: Houghton Mifflin. 1916. Pp. 166. 60c.)

- TOURNAN, I. *Le régime de l'alcool, sa réforme nécessaire.* (Paris: Dunod & Pinat. 1916. Pp. 492. 9 fr.)
- WHEELER, W. B. *Federal and state laws relating to intoxicating liquor.* (Westerville, O.: American Issue Pub. Co. 1916. Pp. 96. 25.)
- WILSON, L. A. *A list of helpful publications concerning vocational instruction.* (Albany: N. Y. State Univ. 1915. Pp. 52.)
- Among industrial workers (ways and means) a hand book for associations in industrial fields.* (New York: Y. M. C. A., Indus. Dept. 1916. Pp. 118. 50c.)
- First annual report of the Department of Public Welfare, 1915-1916.* (Dallas, Texas: Dept. Public Welfare. 1916. Pp. 88.)  
Reports the operations of the employment bureau.
- International Health Commission, second annual report, January 1, 1915-December 31, 1915.* (New York: The Commission, 61 Broadway. 1916. Pp. 204.)
- The progress of housing reform in Brooklyn.* (Brooklyn: Tenement House Committee. 1916. Pp. 47.)
- Prostitution: the moral bearings of the problem.* (London: King. 1916. 2s.)
- Report of the advisory committee on proposals for the state purchase of the licensed liquor trade.* (London: Wyman. 1916. 1d.)
- Rural school sanitation including physical and mental status of school children in Porter County, Indiana.* U. S. Public Health Bulletin no. 77. (Washington: Public Health Service. 1916. Pp. 127.)
- School nurse.* Bulletin of the Russell Sage Foundation Library. (New York: Russell Sage Foundation. 1916.)
- A tabular statement of infant-welfare work by public and private agencies in the United States.* Infant mortality series, no. 5. (Washington: Children's Bureau. 1916. Pp. 114.)
- Statistiques annuelles des établissements pénitentiaires et des institutions d'assistance, année 1915.* Printed in English and French together. (Quebec: Bureau of Statistics, Dept. of Provincial Secretary. 1916. Pp. 133.)

### Insurance and Pensions

- United States Life Tables, 1910.* Prepared under the supervision of JAMES W. GLOVER. (Washington: Bureau of the Census. 1916. Pp. 65.)

American economists will welcome as a publication of the first importance a recent volume of the Census Bureau entitled *United States Life Tables*. This volume makes at once available the essential data on the average length of life of the several classes

of the community, and more especially in the Eastern and industrial sections of the country. For the first time in our national history, facts have been compiled which are as authoritative as those which have long been available for the advanced European countries. The government has recognized the importance of its human resources, and has taken the first step in a national campaign for life conservation.

A few American life tables have previously been compiled from insurance experience. The federal government has also published from time to time life tables for the larger cities, but these have no scientific or actuarial value. Professor Glover's connection with the present venture guarantees an absolutely sound actuarial basis for this work. Yet with all of their technical excellence these tables have been prepared with an eye to the widest public use. Their arrangement is extremely simple, following a very natural sequence from the more general to the more specific groups. The explanations are detailed, are non-technical in character, and are illustrated with examples. Public health officials, students of vital statistics, physicians, sociologists, economists, and all persons interested in the public health movement of America will find the tables a valuable reference source. The Census Bureau, Professor Glover, and the country at large are all to be congratulated on the highly successful outcome of this important scientific work.

The tables are based on the census enumeration of 1910 and the mortality returns of the three years 1909, 1910, and 1911 for the ten original registration states and the District of Columbia. There are in all twenty-five life tables. The first is for both sexes in the original registration states; the next fourteen are for males and females respectively in the following seven classes of the population: aggregate, white, negro, native white, foreign white, cities, and rural. The last ten tables are for males and females respectively in five states—Indiana, Massachusetts, Michigan, New Jersey, and New York.

The first table is probably the most important, being based on the largest exposure, namely 24,000,000 enumerated lives and 1,000,000 reported deaths. According to this table the average expectation of life of persons in these registration states is, at birth, about 51 years. For a man, the average is a little under 50 years and for a woman it is 53 years. The tables make no attempt to explain these differences but if an explanation is allowable it may be pointed out that men are the more exposed to death

from homicide, suicide, and the accidents that occur in industry. Women are largely free from these violences. The female sex has also a lower mortality rate in infancy, which is, indeed, continued year for year throughout life.

Later tables indicate that the whites have a longer average life span than the colored; at birth it is 16 years greater. It is also greater at various points throughout life. Thus, at age 25 the average white man may expect to survive 38.8 years while the colored man at the same age has only 30.4 years left to him. So, too, a white woman at 25 may expect to live 40.9 years while a colored woman has eight years less. These differences are important since they affect adult life when every additional year counts for usefulness to the individual and society.

The tables also show the difference in average life span between native and foreign born persons. The native born whites of both sexes enjoy very decided advantages in life expectation over the foreign born whites at the same ages. More important, perhaps, is the difference shown in the expectation of life of those living in the cities as compared with those living in the country. The average white man living in the rural districts has nearly eight years more of life than if born in the city. The expectation of life of white women living in the country, is also increased over their city sisters, but only by six years. This condition is undoubtedly related to the fact that the rural population is less subject to tuberculosis, pneumonia, Bright's disease, and the diseases of the digestive system. The differences in the race composition of the rural and urban populations should also be kept in mind. The cities contain a large proportion of foreign born; the rural areas are more American in their composition. As the writer recently showed in this journal,<sup>1</sup> this factor plays an important part in determining death rates and incidentally the average expectation of life. For the same reason great caution is required in making comparisons of the life expectations in such states as New York and Massachusetts on the one hand with Indiana and Michigan on the other. The latter states are composed largely of persons of native stock, the former contain a large proportion of foreign born.

Reference may be made to a source of error which affects the tables somewhat. The registration of deaths, even as late as 1910,

<sup>1</sup> "Factors in American Mortality," *AMERICAN ECONOMIC REVIEW*, vol. VI, no. 3 (Sept., 1916), p. 523.

was not perfect, and defects were especially marked in the rural areas of the states. Such under-registration has the effect of decreasing the death rates and conversely increasing the expectation of life for the areas in question. It is possible that this factor plays a part in the difference noted above between the expectation of life in rural and urban populations.

An excellent beginning has been made. It is to be hoped that the plans for the 1920 federal census will make provision for a continuation of Professor Glover's work and that we may have authentic life tables for the same and additional registration states for 1920. Comparisons with the earlier tables will prove valuable in many ways. They will indicate the progress in life conservation made in the decade; they will throw light on the effectiveness of our several health programs, especially with reference to infant mortality; and they will, perhaps, decide the moot question as to whether the suspected increase in our mortality after 45 is fact or fancy.

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*Metropolitan Life Insurance Company.*

*Standards of Health Insurance.* By I. M. RUBINOW. (New York: Henry Holt and Company. 1916. Pp. 322. \$1.50.)

It would be well if every new effort for social reform could be accompanied by so useful a popular presentation of its nature as this volume of Dr. Rubinow's, which describes the elements of health insurance and untangles many of its complexities. To the thoughtful layman it will serve to make explicit the difficulties of a complex theme and so to give a basis for intelligent judgment. Herein lies its function rather than in any contribution to the theory of social insurance. It is, in addition, an appeal for the new legislation addressed to novices and to the skeptical.

A chapter on the principle of compulsion is followed by chapters on scope and extent. These grow out of the developments in Europe. The recommendation appears that the medical service of accident compensation in our American states should be taken over by the corresponding service under health insurance. This recommendation can be warmly seconded. The cost of specific occupational diseases, it is proposed, should fall to the accident compensation system. But this demands drawing a line of demarcation, which must be more or less arbitrary, and makes for difficulties which the German system is fortunate in avoiding. In-

validity, the author rightly holds, should not be dealt with under the same plan as sickness and this recommendation accords with the projects for legislation now being advanced in our country. In that case, however, an interesting question of nomenclature is revived. It will be recalled that the term "health insurance" lately adopted in this country was nowhere current until chosen by Great Britain. But the British act, unlike proposed American acts, did include invalidity along with sickness. In Germany sickness insurance and invalidity insurance are mutually exclusive both in name and character. Some day, however, we in the United States may find ourselves administering under separate acts both "health insurance" and "invalidity insurance"!

The general theory of insurance, which Dr. Rubinow holds, is that the worker has certain rights against those of the consumers of products. With him, as with the authors of a recent treatise on labor legislation, the contracting wage-earner defines the basis of social action. Here, it seems to me is a curious survival of a legalistic philosophy, the more curious indeed as the institutions and laws to be defended are in contradiction to it. Let Dr. Rubinow speak (his subject is the extension of benefits to members of the family):

The entire philosophy of social insurance is based upon the causal connection between employment and disability on one hand and between disability and unemployment on the other (p. 90). The demands of life evidently appear stronger than any theoretical constructions. A purely formal connection between the insurance of the wage-worker and that of the members of his family may be lacking, but the social advantages of utilizing the established medical organization for the benefit of the entire working population are so great that any logical inconsistency may be calmly disregarded (p. 91).

The one advantage, I have felt, that the term "social insurance" has over "workmen's insurance" is just this: that it deals with the situation of certain social groups rather than with the circumstances of a wages contract. Obviously, if the theory of insurance is to be recast then also the argument concerning the basis of contributions must be recast. A suggestion of divergence from the simpler theory of contractual losses was given in this country when the state of Washington, for example, fixed uniform indemnities for fatal industrial accidents. But Dr. Rubinow is himself on still another occasion—*e.g.*, the discussion of money benefits (p. 91)—led to argue for the interests of social groups. Should he not, therefore, enlarge the fundamental argument for insurance?

The detail of these chapters on medical, money, maternity, funeral, and optional benefits is worked out in the main clearly and convincingly. The author hopes for adequacy of treatment, and his hope, with allowance for experimental beginnings, may be warmly shared. I have long felt that we should frankly let maternity benefit stand on a separate basis. Dr. Rubinow is satisfied that we are dealing with "a physiological process" which "requires medical aid" and "produces temporary disability." "That is sufficient," he says, "to put it into the category of emergencies that a health-insurance system should deal with" (p. 117). But the peculiarity of childbearing is that not only does volition play an important and increasing role, but the coming of disability can be timed long in advance and with certainty, and the burdens of a maternity epoch are a fraction only of the general responsibilities assumed. Here is no "emergency" akin to that of pneumonia, or cancer, but a unique problem to be managed under sickness insurance for convenience and simplicity only. To hold further that maternity insurance "forms a natural sequel to legislation prohibiting wage-work to women for some definite time before and after maternity" (p. 122), remembering that the wives of insured men are also to be involved, is to hold (is it not?) that laws restricting child labor should have for a natural sequel a granting of support to those thereby deprived of employment. I am not arguing against maternity insurance, for that is a different question, but only against what seems to me to be a confused assimilation of dissimilar things.

The chapter on Bearing the Cost contains much that is incisively and persuasively put. It includes, as does the following chapter on Distribution of Cost, something upon the rationale of the workmen's burden. I cannot but believe that these chapters would do better to emphasize the fact that sickness has a very broad personal basis. If we are to hold that the worker's responsibility is nil because in his every act, unlike the rest of us, he is the victim of hereditary or environmental forces, then we might content ourselves with speaking of the desirability of democratic participation in management, or the peculiar disadvantages of minimum benefits. But, after all, how we eat, drink, sleep, and go clothed have much to do with illness and cannot wholly be laid to the door of a general society. Some of this is contained in an opinion of Mr. Dawson's which Dr. Rubinow quotes. But in an epoch when many workmen's representatives are asking that

workmen contribute nothing at all, a handbook on health insurance should as clearly define the basis of the workmen's contributions as that of the other contributions. I am personally inclined to hold further that the amount of the money benefit should stand in some relation to the size of the workman's contribution. But Dr. Rubinow believes that the workmen's contribution should be slight, slighter indeed than in any important European plan, and that the money benefit should be high. There is in these chapters a discussion of the shifting of the incidence of the burden, but it is confused and not helpful; it even lumps rents among the ultimate bearers of the cost.

With much clearness and discrimination, the concluding chapters deal with the various problems of organization and administration. They rest upon a careful study of experience in Europe and under our own compensation acts, and must be enlightening to many an American now puzzled by the complexities which the reformers bespeak for sickness insurance. Especially will benefit come to the layman who is anxious to understand the bases and to measure the limits of the financial charges. These last chapters deal with matters that long remain difficult to the student of social insurance.

The work as a whole, barring certain questions of theory or principle, which discussion in such a journal as the REVIEW may properly emphasize, is one which for its vigor, brevity, and discrimination in detail deserves a wide reading.

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#### NEW BOOKS

- APPLETON, H. D. *Automobile insurance. Should fire companies be authorized to give full coverage, including the person?* (Albany: The author. 1916. Pp. 12.)
- BREUIL, R. *Assurances et assureurs.* (Paris: Giard & Brière. 1916. 3.50 fr.)
- COWLES, W. G. *The New York standard compensation policy.* (New York: Travelers Insurance Company. 1916. Pp. 21.)
- DOSKER, N. H. *Workmen's compensation law of Kentucky annotated and explained.* (Louisville: Baldwin Bk. Co. 1916. Pp. 416. \$4.50.)
- DUDLEY, W. A. *Finance and life insurance; a handbook of tables and formulae, with rules and explanations.* (Mexico, Mo.: Missouri Prtg. & Pub. Co. 1916. \$5.)

- ECKERT, J. A. *Use and occupancy insurance. An address delivered before the one hundred and thirty-seventh meeting of the Insurance Society of New York on November 14, 1916.* (New York: Ins. Soc. of N. Y. 1916. Pp. 13.)
- HONNOLD. *Honnold on workmen's compensation.* Two volumes. (Rochester, N. Y.: Lawyers Coöp. Pub. Co. 1917. \$15.)
- JONES, F. R. *Digest of workmen's compensation laws in the United States and territories, with annotations: 1916 supplement.* (New York: Workmen's Compensation Publicity Bureau. 1916. \$1.25 and \$2.)
- MACKEY, H. A. *Pennsylvania workmen's compensation act, annotated.* (Chicago: Callaghan. 1916. Pp. 1179-1254.)
- MATTHEWS, W. D. *The insurance engineers' hand book. A revision of the manual of inspections published in 1908.* (Louisville, Ky.: Ins. Field Co. 1916. Pp. vi, 722. \$4.)
- PAYNE, H. B. *Ready reference to the workmen's compensation act of Pennsylvania, approved June 2, 1915.* (Wilkes-Barre, Pa.: R. Bauer & Son. 1916. Pp. 41.)
- PAYNE, H. B. *Synopsis of the workmen's compensation act of Pennsylvania approved June 2, 1915.* (Wilkes-Barre, Pa.: Bauer & Son. 1916. Pp. 15.)
- SCHNADER, W. A. *Workmen's compensation in Pennsylvania, with procedure and forms (annotated with decisions in Pennsylvania and other jurisdictions).* (Philadelphia: G. T. Bisel Co. 1916. Pp. lxiii, 594. \$5.)
- SHERMAN, P. T. *Workmen's compensation law; "personal injury by accident arising out of and in the course of the employment."* (New York: Workmen's Compensation Publicity Bureau. 1916. Pp. 67. \$2.)
- VENN, T. J. *Life insurance catechism; a treatise on protection, by means of questions and answers, in terms comprehensible to the general reader.* (Chicago: The author, 2034 Lane Court. 1916. Pp. 40. 50c.)
- Fire insurance laws, taxes and fees; containing a digest of the statutory requirements in the United States and Canada relating to fire insurance companies and agents, with many quotations from the statutes, also a compilation of county and municipal taxes and fees. Revised to August 1, 1916.* (Chicago: Spectator Co. 1916. Pp. 521. \$5.)
- Life insurance and how to sell it.* (Louisville, Ky.: Ins. Field Co. 1916. Pp. 106. \$1.)
- Little lessons in fire insurance, special qualifications, work of preparation, nature of the policy, rules for selecting risks, office organization, business forms, etc.* (Louisville, Ky.: Ins. Field Co. 1916. Pp. 144. \$1.)

*National health insurance. Further report of the departmental committee on approved society finance and administration.* Cd. 8396. (London: Wyman. 1916. 9 1/2d.)

*The ready reference instruction book for fire insurance agents and farm solicitors.* (New York: German American Ins. Co. 1916. Pp. 102. \$1.)

*New York workmen's compensation law.* (Albany: N. Y. Indus. Comm. 1916. Pp. 38.)

*Workmen's compensation law of the state of Louisville. Revised with amendments to July, 1916.* (New York: G. I. Wilson & Sons. 1916. Pp. 32. \$1.25.)

*Workmen's compensation law of Porto Rico, July, 1916.* (New York: W. F. Walsh. 1916. Pp. 19. 25c.)

*The workmen's compensation act of Ontario (4 Geo. V, chap. 25), with amendments of 1915 and 1916 (5 Geo. V, chap. 24, 6 Geo. V, chap. 31) with regulations of board synopsis, etc.* (Toronto. 1916. Pp. 122.)

### Pauperism and Charities

#### NEW BOOKS

ALMY, F. *Ten tales; or salaries versus relief. Does it cost a dollar to give a dollar?* (Buffalo: Charity Organ. Soc. 1916. Pp. 39. 15c.)

*Poverty and health. Thirty-ninth annual report of the Charity Organization Society of Buffalo.* (Buffalo, N. Y.: The Society. 1916. Pp. 59.)

*Proceedings of the national conference of charities and correction at Indianapolis, 1916.* (Chicago: W. T. Cross, 317 Plymouth Court. 1916.)

### Socialism and Co-operative Enterprises

#### NEW BOOKS

BROCK, A. C. *The philosophy of socialism.* (London: Fabian Soc. 1916. Pp. 12. 1s.)

DAUDÉ-BANCEL, A. *La coopération pendant et après la guerre.* (Paris: 208 rue Saint-Maur. 1916.)

GIDE, C. *Les sociétés coopératives de consommation.* Third edition. (Paris: Librairie de la Société du Recueil Sirey. 1917. Pp. xix, 354.)

HUGHES, T. J. *State socialism after the war; an exposition of complete state socialism; what it is; how it would work.* (Philadelphia: G. W. Jacobs & Co. 1916. Pp. 351. \$1.50.)

HUTCHINSON, R. H. *The "socialism" of New Zealand.* (New York: New Rev. Pub. Assoc. 1916. Pp. x, 155.)

While this little book gives few unfamiliar facts about New Zealand, it is important in that it shows the point of view of a socialist who has spent a year or more in that country and who wishes "to dispel the prevalent idea that her progressive institutions have in any way solved the problems of capital and labor."

Like Mr. Walling, the author would apply the term "state capitalism" to the social experiments of New Zealand; and says, with much truth, that they are designed largely for the benefit of the small farmers and shopkeepers, and that the result has been to entrench capitalism more strongly than ever in the affections of the middle class. The "Lib-Lab" alliance, which controlled New Zealand politics for so many years under Ballance, Seddon, and Ward, has reached the limit of its power, and now the small farmers and capitalists, under the leadership of Massey and the so-called "Reform party," show reactionary tendencies, while the labor leaders and socialists are breaking away from the old entanglements to take a new and more radical path, where true progress lies. The strike of miners and waterside workers in 1913 was a symptom of widespread dissatisfaction with industrial arbitration and other half-measures of social reform, and the election of 1914 showed that class conscious labor had at last a chance of coming to its own.

The experience of New Zealand, as Mr. Hutchinson says, indicates the lines of development which the United States is likely to take in the near future. The "Progressives," representing the interests of the small capitalists, are inaugurating a transition epoch of state ownership, industrial arbitration, pensions, insurances, minimum wages, and woman suffrage. After that, disillusionment will come, as in New Zealand, and the day of the working class will begin to dawn.

Mr. Hutchinson's book is very readable, and shows an intimate knowledge of the subject. Here and there one might cavil at his argument, as when he lays most of the blame for the watersiders' strike on the shoulders of the shipping companies, or when he says that the aggregate and per capita wealth of New Zealand had declined, from 1905 to 1913, without noting that Mr. Fraser, the government statistician, had recently adopted a new and more accurate method of estimating private wealth.

J. E. LEROSIGNOL.

PEASE, M. *Jean Jaurès, socialist and humanitarian.* (London: Headley. 1916. Pp. 157. 2s.)

RADFORD, G. *State services. The case of state management of agriculture, banking, public houses, etc.* (London: Smith, Elder. 1916. 3s. 6d.)

VANDERVELDE, E. *La Belgique envahie et le socialisme international.* (Paris: Berger-Levrault. 1916. 3.50 fr.)

*Industrial profit sharing and welfare work.* (Cleveland, O.: Chamber of Commerce. 1916. Pp. 85.)

## Statistics and Its Methods

## NEW BOOKS

DOLL, E. A. *Anthropometry as an aid to mental diagnosis; a simple method for the examination of sub-normals.* (Vineland, N. J.: Training School. 1916. Pp. 91. 75c.)

GUILFOY, W. H. and WYNNE, S. W. *An analysis of mortality returns of the sanitary areas of the Borough of Manhattan for the year 1915.* (New York: Dept. of Health. 1916. Pp. 62.)

WILBUR, C. L. *The federal registration service of the United States: its development, problems, and defects.* (Washington: Gov. Prtg. Off. 1916. Pp. 86.)

*The Canada year book, 1915.* (Ottawa: Minister of Trade and Commerce. 1916. Pp. xvi, 707.)

New tables are given showing grain prices and ocean freight rates over a period of years and the number of farm livestock in the principal countries of the world.

*Ninth annual report of the statistics of municipal finances for city and town fiscal years ending between November 30, 1914, and March 31, 1915.* (Boston: Mass. Bureau of Statistics. 1916. Pp. xxxi, 301.)

*Occupations of the people.* Fifth census of Canada, 1911, vol. VI. (Ottawa: Dept. of Trade and Commerce, Census and Statistics Office. 1915. Pp. 469.)

*Statistical abstract of the United States, 1915.* (Washington: Bureau of Foreign and Domestic Commerce. 1916. Pp. 749.)

*Tentative program of the Bureau of the Census: 1916-1919.* (Washington: Bureau of the Census. 1916. Pp. 14.)

## DOCUMENTS, REPORTS, AND LEGISLATION

### Industries and Commerce

REPORT ON TRADE AND TARIFFS IN BRAZIL, URUGUAY, ARGENTINA, CHILE, BOLIVIA, AND PERU (Washington, Federal Trade Commission) contains nearly 250 pages of information gathered, primarily, for the representatives of the United States at the meetings of the International High Commission held at Buenos Aires early in 1916. In assembling the data for this report, the agents of the Federal Trade Commission were mindful of the needs of others who might be interested in the various phases of the trade relations between the United States and South America, so that the volume might serve a much wider use than that for which it originally was intended. After pointing out the advantages long enjoyed by European financial and commercial interests in Latin American countries, due to such factors as tradition, sentiment, and the liberal investment of European capital in railroads, port works, municipal improvements, steamship lines, mining, and other industries, there is discussed the general problem of trade development between the United States and South America. It is pointed out that improvement in present conditions may be effected by the combined efforts of American financial and commercial interests, on the one hand, and governmental activity, on the other. Though the report is well-balanced, the countries which, as might be expected, come in for the most extensive treatment are Brazil, Argentina, and Chile. The information which furnished the basis of the report was collected on the ground by representatives of the Federal Trade Commission who visited the customs houses, studied the routine work of the officials, examined the various papers and documents covering shipments and receipts of goods, etc. Though less extensive and comprehensive than the report of Frank D. Rutter of the Bureau of Foreign and Domestic Commerce on *Tariff Systems of South American Countries* (see AMERICAN ECONOMIC REVIEW, Dec., 1916, p. 952), it covers in part at least the same general ground as the latter.

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Recent publications of the Bureau of Foreign and Domestic Commerce are:

In the Special Agents Series:

No. 121, *Artificial Dyestuffs Used in the United States* (pp. 254), by Thomas H. Norton.

No. 124, *Cotton Goods in British India: Part 1, Madras Presidency* (pp. 50), by Ralph M. Odell.

No. 125, *Markets for Agricultural Implements and Machinery in Argentina* (pp. 86), by Frank H. von Motz.

In the Miscellaneous Series:

No. 39, *Peruvian Markets for American Hardware* (pp. 64), prepared under the supervision of the United States commercial attaché at Lima, Peru.

No. 41, *Markets for American Hardware in Chile and Bolivia* (pp. 190), prepared under the supervision of Verne L. Havens.

No. 42, *Australian Markets for American Hardware* (pp. 105), prepared under the supervision of William C. Downs.

No. 43, *Markets for American Hardware in Argentina, Uruguay, and Paraguay* (pp. 64), prepared under the supervision of Albert Hale.

No. 45, *Exporting to Australia: Practices and Regulations to be Observed by American Shippers* (pp. 29), by Philip B. Kennedy.

No. 47, *Brazilian Markets for American Hardware* (pp. 89), prepared under the supervision of Lincoln Hutchinson.

In the Tariff Series:

No. 35, *Commercial Travelers in Latin America* (pp. 42), by L. Domeratzky.

The *Annual Report of the Chief of the Bureau of Foreign and Domestic Commerce* (Washington, 1916, pp. 97) devotes attention to the prospects for American trade after the restoration of peace. An account is given of trade extension work and the activities of commercial agents abroad; and it is noted that a constant effort is being made to secure persons properly qualified for foreign and domestic commerce appointments.

The *Annual Report of the Federal Trade Commission, 1916* (Washington, 1916, pp. 63) has seven pages devoted to unfair competition and violation of the Clayton act. Particular reference is made to the commission's activity in securing uniform accounting on the part of merchants and manufacturers. For this purpose two experienced accountants and a small staff were engaged during the year. Specific investigations have been undertaken along the following lines: co-operation in the American export trade; trade and tariffs in South America; pipe-line transportation of petroleum; fertilizer industry; gasoline prices; beet-sugar industry; lumber industry; resale price maintenance; trade associations; and Mexican sisal hemp. Preliminary work has also been begun on the anthracite coal, bituminous

coal, and news-print industries. The investigations relating to co-operation in export trade, trade and tariffs in South America, pipe-line transportation, and Mexican sisal hemp were completed.

Pamphlets received from the Federal Trade Commission are: *Fundamentals of a Cost System for Manufacturers* (Washington, July 1, 1916, pp. 31); and *A System of Accounts for Retail Merchants* (July 15, 1916, pp. 19).

The Department of Agriculture, in Bulletin No. 394, presents *A Survey of Typical Coöperative Stores in the United States* (Washington, Nov. 3, 1916, pp. 29) prepared by J. A. Bexell, dean of the School of Commerce of the Oregon Agricultural College, Hector McPherson, of the same institution, and Mr. W. H. Kerr, of the Department of Agriculture.

The Merchants Association of New York has issued a report on the *Webb Bill* urging its immediate passage (New York, 1917, pp. 20).

A pamphlet printed by the National Shawmut Bank on *The Port of Boston* (Boston, 1916, pp. 57) contains a bibliography of six pages on port administration and foreign trade. There are interesting charts designed to show the position of Massachusetts in manufacturing and commercial activity in various lines of industry as compared with other states.

### Corporations

**THE PROGRESS OF FEDERAL VALUATION.** On March 1, 1913, Congress enacted the law directing the Interstate Commerce Commission to investigate, ascertain, and report the value of all property owned or used by every common carrier subject to the provisions of the Interstate Commerce act. The broad requirement of this law has proven to be a stupendous task to both the commission and the railroads. The necessity for concentration of effort and of coöperation between the government and the carriers was manifest from the outset. The Interstate Commerce Commission promptly organized a department of valuation, with former commissioner Charles A. Prouty as director. The railroads also organized a bureau, known as the Presidents' Conference Committee, subdivided into three geographical groups, but with a centralized administration under the secretaryship of Thomas W. Hulme, real estate agent of the Pennsylvania railroad.

Because of the seriousness and the magnitude of the work, progress in outlining definite policies and procedure has been exceeding slow. Many conferences between representatives of the commission and of

the railroads have been held, with the result that standard methods regarding a few matters have been established. But the important fundamental valuation problems have not yet been worked out, notwithstanding that actual engineering appraisals have been under way during three years.

Considerable delay was experienced in organizing and conducting the field work of valuation on a large scale. To accomplish its task, the commission divided the whole country into five districts, each embracing in the neighborhood of 50,000 miles of line. Each district is in charge of an engineer with an entire staff. The government forces in each district are further subdivided into three sections—Engineering, Land, and Accounting—each conducting independent investigations under the centralized organization of the Division of Valuation. At the present time there are about one hundred parties in the field, covering some 2,000 miles of track per month. On January 1, 1917, it was estimated that field surveys have wholly and partially covered approximately 95,000 miles, or not more than a third of the total railroad mileage of the country. It is expected that 50,000 miles of road work will be covered annually and that surveys and inventories of all lines will be completed some time in 1920. Broadly speaking, the commission through its field and office organization is endeavoring to compile the so-called "three cost" figures; *the cost-of-reproduction-new, the cost-of-reproduction-less-depreciation, and original-cost-to-date*. Important and detailed information is also gathered regarding each company's corporate and financial history.

In addition to data collected by its own forces the commission, through its valuation orders, has required directly from the carriers information on various matters. The character of the information desired may be gathered from the following list of the most important valuation orders issued thus far:

Valuation Order 1 (the so-called "Map Order"), modified and supplemented by Valuation Orders 5 and 6.—Provides specifications for maps and profiles of railroad lines, which govern maps and profiles filed with the commission.

Valuation Order 2, as modified by Order 10.—Requires the filing of schedules of abandoned property, showing original cost, date of abandonment, and disposition and present status of the property.

Valuation Order 3.—Provides that records shall be kept and reports shall be made to the commission as to all extensions, improvements, or other changes in the physical property of every common carrier after June 30, 1914, classified by states, and showing in detail units and quantities of material and labor.

Valuation Order 4.—Requires an annual inventory of material and supplies to be made and kept.

Valuation Order 7.—Requires the filing of schedules of land showing original cost, and classifying as held for carrier purposes or purposes other than those of a common carrier.

Valuation Order 8.—Requires the recording and reporting of a register of equipment (rolling and floating, work and shop and other machinery) showing original cost to date.

Valuation Order 11.—Requires the filing of inventories of corporate records, documents and papers, showing location and custodian.

Valuation Order 12.—Schedules of industrial tracks to be filed.

Valuation Order 13.—Requires the making and filing of schedules and inventories of quantities, units, and classes or kinds of property in roadway or track, bridges, buildings and all other structures, signals, interlockers, telegraph and telephone lines, electrical apparatus, and any and all fixed physical property except lands and equipment.

Valuation Order 14.—Schedules to be filed showing important purchases made and net prices paid by steam railroads for material of a large number of enumerated classes, and also rates of compensation for labor.

Valuation Order 15.—Requires schedules pertaining to privileges given and leases made by steam railroads.

Valuation Order 16.—Requires schedules of all aids, gifts, grants, and donations.

Valuation Order 20.—Requires statements showing the corporate history of the common carrier appraised and of its predecessors, and the chain of title.

For the purpose of considering the unsettled and disputed questions connected with the railroad valuation, the Interstate Commerce Commission has held several formal hearings at which representations of the carrier, of the states, and of the Division of Valuation of the commission participate. Briefs and oral arguments were submitted with reference to questions such as the methods of determining reproduction cost and original-cost-to-date; the determination of depreciation and appreciation, proper methods of land valuation, engineering and other overhead costs and the intangible values ("other elements of value") as designated in the valuation act.

There have been no rulings of the Interstate Commerce Commission itself upon any of the important issues raised in the work of appraisal. However, the work already done by the Division of Valuation in organization, in the field, in pricing, in accounting, and in historical research, though necessarily slow, has covered a wide territory and for its proper fulfillment may soon require rulings as to procedure and policy. The statute requires that when a tentative valuation has been reached notice of the valuation so placed upon the various classes of

property shall be served upon the Attorney General of the United States, the governors of the states in which the property is situated, the carrier itself, and such other parties as the commission may designate. Thirty days are allowed interested parties in which to object to the tentative valuation as fixed by the commission. In view of the fact that tentative valuations of several small railroads have already been reported, and that the legal requirements regarding the filing of notices and protests has been made, the commission cannot very long withhold its decisions upon the controverted questions which have arisen. It is a safe assumption that these questions will probably not be finally determined until after long and extended litigation culminating in the United States Supreme Court.

The first tentative physical valuation report of the Valuation Division of the Interstate Commerce Commission was given out October 23, 1916. It covered the Texas Midland Railroad, known as the Hetty Green road, comprising 111 miles, wholly within the state of Texas. After nearly four years of work with this property it was tentatively determined that reproduction cost was \$3,627,313 and the cost-of-reproduction-less-depreciation was \$2,772,726. The capitalization of the company was stated as \$2,112,000 or less than reproduction cost. The total book investment in road and equipment is reported as \$3,474,491 although it is admitted that notwithstanding the railroad was constructed within the last decade no reliable figures of actual cost could be furnished.

The next tentative report to be completed covered the Atlanta, Birmingham and Atlantic Railroad, a system of 444 miles of single track in Georgia and Alabama. The cost-of-reproduction-new was computed at \$26,446,411 and the reproduction-cost-less-depreciation at \$12,700,223. The capitalization was stated at \$59,500,000. The present corporation (a reorganization of the former bankrupt company), however, is capitalized at \$39,000,000. No estimate was made of the original-cost-to-date although the officials of the railroad furnished the evidence that in addition to securities issued for property, \$38,000,000 in cash was obtained from the proceeds of the sale of securities issued and expended for the construction of new lines and for the acquisition and rehabilitation of other lines now part of the system.

Another report of tentative valuation, that of the New Orleans, Texas and Mexico Railroad, recently published gives a reproduction-new valuation of \$8,865,636 and original-cost-to-date of \$12,194,231,

and contrasts this with a capitalization of \$41,000,000. However, the commission's tentative estimate of cost-of-reproduction covers only the railroad owned by the New Orleans, Texas & Mexico, whereas its capitalization includes an investment of \$28,000,000 in securities of three other railroads in Texas.

A fourth tentative report comprises the Kansas City Southern System, having 841 miles running from Kansas City, Missouri, to the Gulf. The cost-of-reproduction of this system is placed at \$47,015,814 and the reproduction-cost-less-depreciation at \$39,867,092. These figures are regarded as extremely low in view of the fact that since 1900 about \$20,000,000 of new capital was applied in physical improvements.

In the valuation of the Kansas City Southern and the Atlantic, Birmingham & Atlantic it was reported that original-cost-to-date could not be definitely ascertained. This conclusion is given notwithstanding that the lines valued are of comparatively recent construction, and that the commission's accountants (particularly in the case of the Kansas City Southern) were given access to complete records of construction vouchers. Moreover, no estimates, data, or findings were reported with reference to "other elements of value." Two of the companies submitted claims for such intangible values. The "original and present cost of condemnation of land and damages or of purchase in excess of such original cost or present value," as required by the language of the valuation act, were not reported. The Division of Valuation of the Interstate Commerce Commission seems to have prepared its estimates solely on engineering appraisals of actual physical property in use, leaving to the commission itself or to the courts the determination of other matters, nearly all of which are in dispute.

The railroad companies which have been served with notices of the tentative valuation of their properties have filed, as required by law, written protests against the results of inventories submitted to the commission. The commission itself announced that it has not yet finally passed upon the many questions relating to the methods and principles involved, but that it will do so when these matters are presented to it, along with the carriers' objections, for definite consideration in the actual valuations. Its decisions in these cases will then serve as a basis for its future work.

The protests of the carriers against the tentative valuation reports thus far represented are based mainly on the following contentions:

1. The valuations are incomplete in that they deal merely with engineering appraisals. They exclude many "costs" incurred in the

construction and development of the property which would again be incurred in the reproduction of these properties under any reasonable program of reproduction.

2. Unwarranted deductions from value have been made on account of depreciation, the carriers contending that depreciation is a matter of maintenance expense, that as long as a railroad property is efficiently and adequately maintained through repairs and renewals there is no depreciation.

3. No allowances have been made for abandoned property, although in many instances abandonments are as much the cost of the ordinary American railroad as is the cost of preliminary surveys in originally locating the line or the false work in building the bridges, and other expenses incurred in developing and operating a railroad plant.

4. The right-of-way values as determined by the Division of Valuation do not constitute the "reproduction cost" or the "present value" thereof since no allowances have been granted for cost of acquisition, severance damages, destruction or removal of buildings and the like, the commission merely taking the bare acreage value of adjacent lands and applying this unit value to the acreage of the railroad right-of-way and terminal real estate.

5. Nothing has been added to reproduction value to represent the intangible or so-called "other elements of value" which the valuation act requires to be separately inventoried.

6. The working capital or quick assets of the carriers has not been inventoried, although such assets are an integral part of the railroad property and are essential to the operation of the railroad.

Several hearings have already been held before the Interstate Commerce Commission in which oral protests against tentative valuations have been presented by both the railroads and state commissions. The only result thus far has been the registering of more conflicting theories and wider diversities of opinion. There is now dispute as to whether the commission should prepare final valuations of the properties of the carriers, it being contended by a representative of the state commissions that the valuation act gives no authority to fix final value. Commissioner Clements stated that the Interstate Commerce Commission has tentatively arrived at this conclusion, although he asserted that it is still open to argument on this point.

It is doubtful whether these disputed matters will be definitely settled for many years. The bare inventorying of the physical properties

is not expected to be completed during the coming three years. The difficult task of compiling and condensing the data, and the application thereto of unit prices, overhead expenses, engineering costs, and other elements of value, will require a much longer period. In the meantime, the expense of the work both to the railroads and to the government is tremendous, and as the work goes forward graver doubts are expressed of the ultimate utility of the whole undertaking.

A. M. SAKOLSKI.

THE CAPITALIZATION OF PUBLIC UTILITY CONSOLIDATIONS. What is to determine the amount of securities properly issuable, in the case of the consolidation of two or more public utility companies? Is it sufficient that the public utility commission or regulating body simply require that the amount of securities issued by the new corporation shall not exceed the outstanding capital stock and debt of the companies to be consolidated, or should it go farther and insist that the securities to be issued by the new corporation shall rest upon an actual valuation of the property, regardless of the existing capitalization? This question has recently been confronted by several public utility commissions; and, in view of the movement for consolidation among utility corporations, it is likely that it will present itself frequently in the near future.

Before the establishment of government control over the issuance of public utility securities, consolidation was often used to inflate capitalization. It was frequently felt that it would be easier for a new corporation to float an excessive issue than for any of the separate companies to do so. The stockholders in the merged companies were frequently glad of the opportunity of exchanging their shares for a larger number of shares in the new company, which in turn might be unloaded upon the investing public. But in many states which have seriously undertaken to regulate securities this practice is no longer possible. In these states the possibility of increasing the capitalization through consolidation beyond that of the consolidated companies, has been eliminated by the provisions in the state laws. For example, in Ohio<sup>1</sup> the law provides that the capital stock and aggregate debt of corporations formed by the merger or consolidation of two or more corporations shall not exceed the sum of capital stock and aggregate debt of the merged companies, and any additional sum actually paid in cash. Massachusetts<sup>2</sup> has the same provisions for gas and elec-

<sup>1</sup> Ohio, Laws of 1911, No. 325, sec. 62.

<sup>2</sup> Massachusetts, Acts of 1906, ch. 382, sec. 1.

tric utilities. The laws of Maryland,<sup>3</sup> Nebraska,<sup>4</sup> New York,<sup>5</sup> Illinois,<sup>6</sup> and Indiana,<sup>7</sup> contain similar provisions regarding the capital stock, although they do not include the debt. But in many of the states the subject of capitalization of consolidations is not specifically covered by the laws, and the principles to be applied remain to be worked out by the commissions.

The principle that the capitalization of a corporation formed by consolidation of two or more corporations should not, by reason of such merger, exceed that of the consolidated companies, is unassailable. There is nothing in the mere act of consolidating which should give justification for increasing the aggregate capitalization. But does this principle go far enough? In the laws above mentioned, the provision is that the capital stock, or the stock and debt, of the new corporation shall not exceed that of the consolidated companies. But the commissions in practically all the states are given discretionary power as to what the amount of stock or securities issued shall be. Another question therefore presents itself. Is not the consolidation of companies which are already over-capitalized, an advantageous and appropriate time for the public authorities to squeeze out some of the water which has been injected in previous years? It is maintained by some that a corporation which represents a consolidation of other companies, and which is to come into possession of the properties of the consolidated companies, should be treated exactly as any new utility enterprise, and that the amount of capitalization to be allowed should be determined solely by the actual value of the property owned or to be acquired by the consolidated corporation. The Missouri Commission has applied the principle that over-capitalization must be eliminated before permission will be given to form a consolidation. In describing its action upon the petition of the Missouri and Kansas Telephone Company, the commission says:

In the consolidation of the properties of the Missouri and Kansas Telephone Company with the properties of the Home Telephone Company of Joplin, the Commission permitted the consolidation to be made on detailed appraisals of telephone valuation engineers of said properties. In the examination the Commission ascertained that at least \$100,000 of the stock of said Home Telephone Company had been issued without the actual cash having been paid for same, and the Commission permitted the consolidation upon condition that

<sup>3</sup> Maryland, Laws of 1910, ch. 180, secs. 27 and 34.

<sup>4</sup> Nebraska, Acts of 1909, ch. 108, sec. 1.

<sup>5</sup> New York, Laws of 1910, ch. 480, secs. 55, 69, and 101.

<sup>6</sup> Illinois, House Bill 907, 1913, sec. 22.

<sup>7</sup> Indiana, Public Utility Act, § 92.

the Home Telephone Company would surrender to its board of directors \$100,000 of said stock as 'watered' and cancel same and certify that fact to the Commission, which was fully complied with before the order of the Commission became effective permitting the consolidation of said two telephone companies.<sup>8</sup>

On the other hand, the Arizona, Ohio, Maryland, and Kansas public utility commissions, and the Massachusetts Gas and Electric Light Commission, are on record as granting applications for the issuance of securities by a consolidation, without conducting any valuation of the properties owned by the separate companies, apparently justifying their action upon the ground that the capitalization of the properties was not increased by the consolidation.

The Arizona commission, in granting its consent to the El Paso and Southwestern Railroad Company to consolidate with five smaller companies, imposed the following restriction:

provided that the entire issue of the capital stock and bonded indebtedness of such consolidated company issued in lieu of the present outstanding stock and bonded indebtedness of such separate companies so proposing to consolidate shall not exceed, without the further consent of the commission, the present total amount of all such capital stock and bonds issued by each of said companies, respectively, and now outstanding.<sup>9</sup>

The Massachusetts Gas and Electric Light Commission recently granted its approval to the consolidation of the Turners Falls Power and Electric Company with the Turners Falls Company, both engaged in supplying electricity. The former company was to issue 25,000 shares, par value \$100 each, to be exchanged share for share for the entire capital stock of the Turners Falls Company, the latter when exchanged to be cancelled. In granting this petition the commission states: "By reason of the proposed consolidation the facilities for furnishing and distributing electricity will not be diminished, and no increase will be effected in the aggregate capital stock, or in the aggregate debt of the two institutions."<sup>10</sup> Apparently no consideration was given to the actual value of the properties, aside from pointing out that the "book value" of the properties in each case exceeded the outstanding liabilities. The same course of action was followed by the Kansas commission in permitting the consolidation of the Salina

<sup>8</sup> In this case no opinion was written, but the order entered was apparently founded upon an extensive knowledge of the affairs of the company. *Second Annual Report, Missouri Public Service Commission*, p. 85.

<sup>9</sup> *First Annual Report, Arizona Corporation Commission*, p. 825.

<sup>10</sup> *Public Utility Reports Annotated* (Lawyers Coöperative Pub. Co., Rochester, N. Y.), 1915. B., p. 61.

Telephone Company with the United Telephone Company. The United Telephone Company was to assume all the obligations of the Salina Company and to exchange its stock share for share for that of the Salina Company, which was then to be cancelled. No valuation of the properties was conducted, and no reference to the value of the properties appears in the decision.<sup>11</sup> Similar actions had been taken by both the Maryland<sup>12</sup> and the Ohio<sup>13</sup> commissions.

In a recent decision of the Illinois Public Utilities Commission, involving the consolidation of the Illinois Northern Utilities Company, the Freeport Railway and Light Company, and the Tri-County Light and Power Company, two conflicting points of view regarding the capitalization of consolidations are expressed.<sup>14</sup> The majority of the commission take the position that a consolidation should be permitted to issue capital stock and obligations, dollar for dollar, to the amount of the outstanding issues of the companies forming the consolidation; but the minority insist that no securities should be permitted to be issued, except after a valuation of the property. The conflicting points of view are more sharply defined than in any other commission decision up to the present time dealing with this subject. The majority justified its action upon the ground that the Illinois statute simply forbids the commission from permitting the capitalization of consolidations to exceed that of the companies consolidated, but that the commission is not required by the statute to conduct a valuation; that no one would be benefited by reducing the existing capitalization; that if the commission should withhold its approval and thereby prevent the consolidation the same amount of stock would be outstanding; and that a public utility commission cannot properly deal with, or endeavor to eliminate, over-capitalization which has come about prior to the establishment of governmental control of security issues. The majority therefore held that the petition for the consolidation should be granted, and that the exchange of securities might be made, the capital stock and the bonded indebtedness of the consolidated corporation to be the same in par amount as that of the corporations to be consolidated. However, it was provided that each of the certificates of stock of the consolidated corporation should contain a statement to the effect that

<sup>11</sup> *American Telephone & Telegraph Co. Commission Leaflet No. 29*, p. 793.

<sup>12</sup> *Ibid.*, No. 16, p. 600.

<sup>13</sup> *Annual Report, Ohio Public Utility Commission*, 1913, p. 106.

<sup>14</sup> *Public Utility Commission of Illinois—Opinions and Orders*, No. 7, July, 1916.

the issue had been authorized by the commission, "without investigation by said commission of the value of the assets of said corporation." The dissenting commissioners contend that "the issuance of any stock without a determination of the value behind the stock is contrary to the spirit and purpose of the law, and contrary to public policy," and insist that the commission should exercise its privilege to conduct an evaluation of the property before permitting the issuance of securities.

The issues involved in this problem are much broader than the mere question of the proper capitalization of consolidations. The fundamental question is, What is to be the attitude of the state toward corporations which were already over-capitalized at the time of the establishment of government control of security issues? Is the state to endeavor to squeeze out such past over-capitalization, or is it simply to endeavor to prevent subsequent inflated issues? The same question arises not only in connection with petitions for consent to issue securities in consolidation cases: it likewise presents itself every time an over-capitalized utility petitions for consent to issue additional securities even for purposes which are proper, and in proper amounts. For if the state is to adopt the general policy of endeavoring to undo past over-capitalization, an over-capitalized concern cannot be permitted to make new issues until it first brings the value of its existing property up to the amount of its outstanding capitalization, or scales its capitalization down to correspond to the value of its property. Most of the commissions have taken the position that over-capitalization which came into existence prior to the establishment of commission control will be no bar to the issuance of new securities, when such new securities are for purposes properly chargeable to capital account and are issued for purposes properly chargeable to capital account and are issued in proper amounts. The Ohio commission says: "... the commission has held to the idea that past derelictions of duty or offenses involving even moral turpitude should not be regarded as a bar to future honest action, although the honest superstructure may of necessity be compelled to rest upon a dishonest foundation."<sup>15</sup> This statement may be regarded as fairly typical of the attitude of all the commissions except those of Massachusetts and Texas. The course here indicated seems to be the reasonable one for regulating bodies to follow, for otherwise the issuance of securities for making needed extensions, betterments, and improvements, would be rendered difficult and sometimes almost impossible.

<sup>15</sup> *Report of Public Service Commission of Ohio*, 1912, p. 4.

The situation seems to be analogous in the case of securities to be issued by a consolidation. To require the capitalization of a consolidation to be scaled down to correspond to the actual value of the properties involved obviously would mean in many cases that the consolidation would not be effected, and that, therefore, the community would be deprived of the advantages arising from unified operation, such as more economical financing, reduction in the cost of operation, and more efficient management. There is good reason to think that consolidation, especially of the smaller local utilities, will frequently lead to important gains and savings—in the benefits of which the public may share, where there exists a regulating body with wide and ample powers. Therefore a policy which would discourage such consolidation would be unfortunate indeed.

Further, to require a consolidation to limit its capital stock and bonded debt to the actual value of the property involved (if the state is not under obligation to protect authorized securities) would seem to be as retroactive as to require a corporation to wipe out all its past over-capitalization before permitting it to make new issues for betterments or improvements. If there be over-capitalization, it came about in most cases when such practices were not illegal, and when the utilities in making excessive issues were only engaging in practices which still widely prevail in other lines of business. For the state now to require the elimination of a portion of this capitalization, the issuance of which was perfectly legal at the time it was issued, would indeed seem to establish an *ex post facto* practice. True, it has frequently been recognized by regulating bodies that insolvency and reorganization offer a proper time to apply the pruning knife to fictitious capitalization. The New York commissions have insisted that in reorganization proceedings, a corporation in issuing its new securities for old is to be treated as a new enterprise, and that the amount of securities properly issuable is to be governed by the actual value of the assets, regardless of previous capitalization. In this position it has been followed by the Missouri, California, and other commissions. But a consolidation is essentially different from a reorganization. A reorganization, generally speaking, is brought about because the capitalization is so excessive that the fixed charges cannot be met. Such a situation, at least in most cases, justifies a scaling down of those charges or of the total capitalization, in the public interest. But a consolidation may represent a merger of separate companies, each of which is prosperous and successful, and each of

which beyond all question is able to meet its fixed charges. Under such circumstances there does not appear to be the same justification for the state to insist upon a reduction in the capitalization.

The above reasoning all rests upon the assumption that a state is not under obligation to guarantee a return, or to protect with any particular rate of return securities the issuance of which it may have approved, through its regulating body. While this is the position of nearly all the commissions,<sup>16</sup> and while provisions to this effect are actually contained in the public utility laws of many states, this principle cannot be said to be indisputably established; for up to the present the courts have not been called upon to pass directly on the question as to whether a state, in the making of rates to the consumer, is under obligation to establish such rates as will provide a fair return, or any return, upon securities the issuance of which it has specifically approved. Obviously the reasonable assumption is that the state is under no such obligation. The state does not guarantee securities to investors when it approves them. With governmental regulation of securities, as without it, presumably rates will continue to rest upon the actual value of the property. But if the states are to be held responsible to permit a fair return on securities bearing their stamp of authorization, then the whole situation regarding the capitalization of consolidations is changed. It was pointed out in the Illinois decision, above referred to, that whether or not the petition of the consolidated company were granted, the same amount of securities would be outstanding. But it is important to note that the outstanding securities issued before the establishment of commission control do not carry with them the authorization of the state; whereas, after consolidation under commission control the whole new issue carries the authorization and approval of the state. If the capitalization of the constituent companies is to be the basis for the capitalization of the consolidated company, and if the authorization of the state indicates that securities are to be protected or guaranteed, or even are to be a factor of any importance in rate making, then utility companies, in so far as they are over-capitalized before consolidation, will materially strengthen their position by the mere process of consolidation, and the public to the same extent will lose. It is, therefore, evident that if state authorization of securities means state protection for them in rate making, the

<sup>16</sup> The only commission which has definitely announced its intention to protect securities authorized by it is the Massachusetts Public Service Commission. See "Two Rate Decisions of Importance," by the author, *Quarterly Journal of Economics*, August, 1915.

petition of a consolidation to issue its securities must be treated exactly as the petition of a new enterprise. In other words, the amount of securities properly issuable must depend upon the value of the property. Further, if all securities approved by the state are to be protected by it in regulating rates to the consumer, insistence upon an equivalence between the capitalization of a consolidation and the value of the property involved cannot be regarded in any sense as retroactive. For the new securities authorized by the commission or the regulating body possess an entirely different character from that of the old securities. The substitution of the securities of the consolidation for those of the consolidated companies to the same aggregate amount, is not merely a preservation of the *status quo*, but it becomes a substitution of state-protected securities for those which are not so protected.

In view of the lack of authoritative judicial determination as to the extent of the obligation of the state towards securities approved by it, it is difficult to state what should be the attitude of regulating bodies regarding the issuance of securities by consolidations. It is surprising that this issue has not yet been fought through the courts. Final determination of this question is much to be desired. Such determination would materially simplify not only the question of the capitalization of consolidations but also the whole problem of public control of utility securities.

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A new edition of *The Federal Anti-Trust Laws with Amendments* has been issued (Washington, Gov. Prtg. Off., pp. 105, 10c). This includes a list of cases instituted by the government and citation of cases decided thereunder.

Two recent issues of the Bureau of Railway Economics are *Comparative Railway Statistics, United States and Foreign Countries, 1913* (Washington, Miscel. Series No. 25, 1916, pp. 78) and *Statistics of Railways, 1905-1915, United States* (No. 26, pp. 57).

The bulletin of the American Railway Engineering Association for October, 1916, contains a *List of References on Valuation of Steam Railroads*, prepared by the Bureau of Railway Economics (Chicago, pp. 147).

The *Annual Report of the Department of City Transit of Philadelphia for 1915* (pp. 840) includes elaborate charts showing rapid transit development, having particular reference to the distribution of passengers.

The *Fourth Annual Report of the Public Service Commission of Massachusetts* (Boston, Jan., 1917, pp. cxv) gives special attention to the street railway question and in particular to the demands made by certain companies to obtain an increase in rates.

#### Labor

ARBITRATION AWARDS UNDER THE ERDMAN AND NEWLANDS ACTS.—In May, 1916, the United States Board of Mediation and Conciliation was directed by the Senate to prepare a report on the effects of the various arbitration awards made under the Erdman and Newlands acts upon the wages and working conditions of railroad employees. The report transmitted in response to this request has since been published as a Senate document. (*Report of the United States Board of Mediation and Conciliation on the Effects of Arbitration Proceedings upon Rates of Pay and Working Conditions of Railroad Employees*. Prepared under the direction of the Board by W. Jett Lauck. Senate Document No. 493, 64 Cong., 1 Sess. Washington, Government Printing Office, 1916, pp. 608.) The report is intended to show primarily how the award in each case compares with the demands of the employees and, so far as the data could be secured, the extent to which wages were advanced and working conditions improved by each award. A "history" of each case is also given, but this is little more than a bald recital of names and dates. More than one set of facts of vital significance in the working of the Newlands act are omitted. The arguments of the respective sides are given in summary for the last three regional arbitration cases under the statute; and in several cases, notably that of the conductors and trainmen versus the eastern roads in 1913, the reasons stated by the board for its decisions are given. Several railway arbitrations carried on outside the statute, the most important of which is that of the engineers in eastern territory in 1912, are also included.

The report shows that thirteen cases were submitted to arbitration under the Erdman act. In the first of these, submitted in January, 1907, the award was only technically an arbitration award, as it merely embodied the terms of an agreement reached by the parties the day after the hearings were begun. Eight cases were reported as concluded under the Newlands act prior to June 30, 1915. Four of the twenty-one cases, two under each act, were regional arbitration cases. In all but three cases under the Erdman act and two under the Newlands act the federal mediators were obliged to choose the neutral member or members to complete the board, the members chosen by the parties

having failed to agree on the additional member or members. In all but a few cases, too, the arbitrator or arbitrators selected by one of the sides dissented on one or more items in the award.

As to the question of how the award compares in each particular case with the demands of the men, no exact quantitative answer can be obtained from the report. In nearly every case both the demands and the awards involve items which are so different in character that they are not commensurate. But even in the matter of direct wage demands it is impossible to tell in all but a few cases what proportion of the aggregate wage increase asked was actually granted. In a very few cases the board awarded a lump sum or a given percentage increase in the aggregate. For the most part, however, specific rates were demanded instead of specific increases, and specific rates were awarded; and for such cases the rates in existence before the award are not set forth with the completeness required for a quantitative comparison of the increases awarded with those actually asked. The percentages gained by each class of workers are given in some cases, to be sure, but in only two cases is the number of men in each class given. For example, in the accounts of the firemen's Eastern arbitration in 1913 and the engineers' and firemen's arbitration in the West in 1914-1915 the data given, although considerable, are insufficient for the desired comparison of the wage increases awarded with those demanded. In both cases the demands were for standard rates. The report gives many pages of detailed figures as to the rates on individual roads before and after arbitrations, but not all of the roads involved are fully covered in the wage returns in either case, and in neither is the classification of the locomotives in the returns the same as that followed in the demands and in the award. Moreover, a further difficulty stands in the way of estimating the actual wage increases awarded in the cases involving men in train service. This is the uncertainty as to what wage increases are indirectly involved in reductions in the number of hours taken as the basic day—that is, the number of hours after which overtime begins—for men whose runs are expected normally to exceed that number of hours.

Incomplete though the wage data available for comparisons are, enough is given to indicate that the arbitrators did not as a rule merely split the difference in arriving at their awards. It is clear that in many instances the men were given considerably more than half of what they asked—in a few instances all—and in other instances they were given only a small fraction of the increase demanded. In the firemen's arbitration in western territory in 1910, for example, the

men were awarded at least two thirds of what they requested where the demands were for specific increases. In many cases, too, the boards awarded much larger percentages of what was asked to some groups of workers than to others. There are instances of a board granting demands for some classes in full and much less than half of what was asked for other classes in the same award. Differentials are in some cases introduced in the award which do not appear in the demands, and there are instances in which requests for differentials of a standard amount are met by a refusal to establish any differential. Many of the rules demanded, too, are either granted outright or refused outright.

If the awards in the last three regional arbitrations held under the statute be studied as a group, a number of interesting and significant points appear. In all three cases one of the central demands is that for standardization of wage rates, hours, and working conditions; and it has met with a large measure of success. Where the boards have refused to award uniform rates it has been because of non-uniformities in the skill or effort required for the service rather than because of inequalities in the earning power of the roads. The boards have also consistently granted the men's contention that no existing wage rate or condition more favorable to the men than that awarded should be reduced or withdrawn as a result of the arbitration. On the other hand, the demand for time and a half for overtime in freight service (other than switching), first advanced in a regional arbitration in 1913, was refused both in 1913 and in 1915. In several other matters a later board has followed the ruling of an earlier one. This consistency is found also in the awards in the group of telegraphers' cases.

In the matter of general wage advances the boards seem to have been influenced chiefly by increases in the cost of living and the degree to which the amount of work or the responsibility placed on the worker had increased, if at all. A wage principle advanced by the engineers and firemen in the last regional arbitration should also be noted. The men asked that the engineers and helpers on electric locomotives should be paid the same rates as were asked for engineers and firemen on steam locomotives. They admitted that the work on electric locomotives was not so laborious, particularly in the case of helpers, but urged, among other things, that the "employees should be privileged to share in the productivity and economic advantages resulting from the introduction of labor saving and profit producing machines." The board declined

to grant the same standard rates for western territory for the electric locomotives as were granted for steam locomotives because "the electric service was in a state of development and there was no uniformity in practice," but it did award that on each road on which the electric locomotives were introduced the minimum day's rates in steam service should hold for the electric service also.

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Among the new issues of the United States Bureau of Labor Statistics are:

No. 193, *Dressmaking as a Trade in Massachusetts*, by Dr. May Allinson (Washington, Sept., 1916), which is to be noted at greater length in the next issue of the Review.

No. 202, *Proceedings of the Conference of Employment Managers' Association of Boston, Mass.: Held May 10, 1916* (p. 64). This is a verbatim transcript.

No. 206, *The British System of Labor Exchanges*, by B. Lasker (Oct., 1916, pp. 67), giving an account of the system which has been in operation since 1909. Apparently employment insurance has not lessened the work of labor exchanges. There has been a reduction in casual labor. It is believed that public opinion has been affected so that the public authorities have decreased the evil of seasonal unemployment.

The hearings, entitled *Threatened Strike of Railway Employees*, before the Senate Committee on Interstate Commerce, during the late summer, have been published as a Senate document (64 Cong., 1 Sess., No. 549, pp. 171).

The Law Reporting Company (74 Broadway, New York) has printed the *Proceedings, Brief, and Award in the Arbitration Case Between the Railroads and the Switchmen's Union of North America*.

*The Hart Schaffner & Marx Labor Agreements* (pp. 41), prepared by J. E. Williams, chairman of the board of arbitration, Sidney Hillman, president of the Amalgamated Clothing Workers of America, and Professor Earl Dean Howard, director of labor for Hart Schaffner & Marx, gives details of the arrangements which have been made by this firm for its employees. Articles by Professor Howard and Professor Wigmore are reprinted from the *Illinois Law Review* for March, 1916.

The Joint Board of Sanitary Control of the Cloak, Suit, and Skirt

and the Dress and Waist Industries of New York has summarized its experience in a pamphlet, *Six Years Work and Progress* (Union Sq., New York, June 31, 1916, pp. 31).

Bulletin No. 12 of the Minimum Wage Commission of Massachusetts is entitled *Preliminary Report on the Effect of the Minimum Wage in Massachusetts Retail Stores* (Boston, Nov., 1916, pp. 53). It is stated that the proprietors of the larger retail stores with few exceptions have accepted the recommendations of the commission. About January 1, 1916, when the commission's recommendations became effective, the wages of nearly 40 per cent of the employees concerned, employed in 900 stores, were raised; and in these stores the percentage of wage increases was 46. In the stores where the wages previously paid were not less than the minimum rates recommended, the percentage of wage increase was 20 per cent. The report includes the result of an investigation of the committee of the Boston Social Union which showed that the total earnings in the year 1916 of women and girls who were known to have lost their positions in consequence of the introduction of the minimum wage and have been compelled to seek other employment would be greater than would have been the case had they retained their positions in the retail stores at the wages they had been receiving. It is also stated that there is no tendency for the minimum wage to become a maximum.

The *Third Annual Report of the State Board of Labor and Industries* of Massachusetts (Boston, Jan., 1916, pp. 140) contains an appendix on an examination of minors by Dr. M. Victor Safford. All cotton manufacturing centers were covered by this examination; 679 boys between the ages of 14 and 18 were subjected to physical examinations. Tables are given showing, by ages and nationalities, height, weight, chest measure, and strength of grip. These results are compared with similar measurements made of other groups. The tables also show the diseases and defects found among these employees.

The Bureau of Accident Prevention of the Portland Cement Association of Chicago has made a *Study of Accidents for the year 1915* (Chicago, Sept. 1916, pp. 31). This is the third year during which this association has collected accident statistics from its member companies. Interesting charts are included.

The Women's Trade Union League of Massachusetts has prepared an argument for *The Forty-Eight-Hour Week for Women* (Boston, 919 Washington St., 1917, pp. 19). This is to serve as propaganda for the campaign for a reduction in the hours of labor for women.

The Mayor's Committee on Unemployment of New York City, as the result of its investigations, has published two pamphlets. *Planning Public Expenditures to Compensate for Decreased Private Employment during Business Depressions* (Nov., 1916, pp. 29) is a fuller report of an address by John R. Shillady, secretary of the committee, originally presented before the National Conference of Charities and Correction at Indianapolis, May 16, 1916. A summary is given of recommendations made by other commissions along the line suggested, including the experience of foreign countries. It is believed that several of the federal departments might make an advantageous shifting of expenditures over a period of years so as to secure larger outlays in periods of depression. Particularly is this true of expenditures by the Reclamation Service, and of expenditures for public buildings, rivers and harbors and good roads. It is also believed that railroads could take advantage of lean years when the price of materials is low to undertake a larger volume of improvements. The second report deals with *Dock Employment in New York City and Recommendations for its Regularization* (Oct., 1916, pp. 82, 50c). This is a much more exhaustive study and takes up questions of conditions of employment, wages and earnings, and collective agreements. A detailed scheme is added for centralizing and regularizing the employment of longshoremen.

Mr. Edwin V. O'Hara, chairman of the Industrial Welfare Commission of the State of Oregon, summarizes in a recent pamphlet the Oregon experience with *A Living Wage by Legislation* (Salem, 1916, pp. xxiii, 57). This contains the code of rulings of the Oregon commission, the text of the minimum wage law, and extracts from the Oregon supreme court decisions upholding the constitutionality of the act.

#### Money, Prices, Credit, and Banking

EDUCATIONAL CAMPAIGN CONCERNING COMMERCIAL PAPER. When the National Monetary Commission submitted its final report to Congress it included among the seventeen enumerated faults of our old banking system several concerning the commercial paper situation in this country. On the one hand it lamented the absence of an open discount market where, through the extensive buying and selling of good commercial paper, a high degree of fluidity of credit could be assured. But, even more fundamentally, it regretted the absence from our system of the kind of paper that could be dealt in in such a market.

In the Federal Reserve act with its amendments, Congress went as far as it could in providing a basis for the creation of an open dis-

count market. It authorized rediscount and open market operations by the federal reserve banks, it legalized acceptance practice in home as well as in foreign trade, and it gave the Federal Reserve Board broad authority in defining and in fixing rates of discount at the reserve banks for the different classes of paper. Moreover, after some experimenting, the Reserve Board, in a series of regulations, authorized differential rates of discount for the kinds of paper that could be used in rediscounting and that could be handled in open market operations. Yet despite a little advance that has been made every interested observer of the situation recognizes that we are far from creating an open discount market.

Two reasons in the main may be adduced in explanation of this fact. In the first place, the reduction of the required reserves by the Federal Reserve act itself and the great influx of the gold from abroad so eased the money situation that there was little inducement to the banks to concern themselves much about the possibility of rediscounting paper, and hence about the kinds of paper necessary for the purposes. In the second place, the relatively easy money situation and the facility with which credit could be obtained according to the old established methods afforded no stimulus to business men to study the weaknesses of accepted methods and to supplant them with new methods deemed more efficient. Hence it is recognized that the full possibilities of the federal reserve system can be realized only after American business men and bankers have given sufficient study to the domestic credit situation to induce them to work together for such readjustment of present-day methods as may be desirable.

With the object of stimulating the interest necessary for such a study, and, at the same time, with the purpose of supplying as much material bearing on the subject as can be brought together, two Philadelphia business men, Mr. John S. Jenks, Jr., and Mr. George H. Paine, have undertaken a broadly conceived educational campaign. As a first step there will be published some special newspaper editions dealing with the whole subject in as comprehensive a way as possible. Contributions are being prepared by such specialists in the academic field as Professors Seligman, Kemmerer, Patterson, Moulton, and Dean Kinley and by Dr. Willis, M. C. Elliott, Gilbert Montague, H. B. Paton, John G. Johnson, and Professors Sullivan, Brannan and Williston in the practical and legal fields. Studies will subsequently be made of credit practices in the various lines of trade; and through discussion and experimentation it is hoped not only to arouse interest but also to

assist the evolution of a form of credit procedure that will meet the requirements of sound principles, and at the same time insure the willing coöperation of American bankers and business men.

As a practical suggestion in this connection, Messrs. Jenks and Paine, with their associates, have devised a new form of commercial paper which aims to combine the advantages of the single-name promissory note with those of the trade acceptance, and which at the same time endeavors to meet the objections that are raised against these forms. Arrangements have been made for an extensive experiment in actual practice with the new form. A careful study of these experiments will be made and the results thereof will be duly published. It is hoped in this way to make a strong appeal to the practical business man, doubtful of purely theoretical arguments. At the same time it is hoped to learn from actual experimentation what the needs of American business as well as what its possibilities in the field of credit practice may be.

Those likely to be interested in this educational campaign, and desiring to be kept in touch with its main developments, are requested to communicate with the undersigned who has agreed to exercise general editorial supervision over it.

EUGENE E. AGGER.

*Columbia University.*

The Petersburg Land Bank Committee representing the Chamber of Commerce of the City of Petersburg has printed the *Argument Presented to the Federal Farm Loan Board for the Establishment of a Federal Land Bank at Petersburg, Virginia* (Oct., 1916, pp. 78, maps). This contains a discussion of the factors that must determine farm loan needs and the reasons why a land bank should be located in Virginia and more specifically in Petersburg. There are several statistical charts showing the farm mortgage debt of the proposed federal land district by states compared with Iowa. The maps show the railroad facilities of Petersburg, the geographical location of Petersburg with reference to the farm land in surrounding states, and also certain climatic phenomena pertaining to the district.

The Secretary of the State Banking Board of Nebraska, in the *Twenty-fourth Annual Report* showing the condition of building and loan associations of Nebraska (Lincoln, 1916, pp. 155), calls attention to the high rate of interest which borrowers of these institutions pay in that state. He believes that before long legislative interference will be necessary.

The Union Trust Company of Detroit, Michigan, has published a pamphlet entitled *Twenty-five Years of Humanities and Benefits* (1916, pp. 36) which gives a popular account of the work of a trust company.

The Massachusetts Commission on Cost of Living has made a brief report on *Anthracite Coal* (pp. 8). It is believed that the recent increase in the price in Massachusetts is by no means due entirely to policies of mining companies. There has been a lack of cars and labor. Railroad embargoes have played a large part.

The November Bulletin of the Department of Public Welfare of Chicago makes an exhaustive report on the *Loan Shark* in Chicago, prepared by Dr. Earle E. Eubank (Chicago, Nov., 1916, pp. 137). This describes the varieties of loan shark, the extent of the business, its technique, devices for getting business and making collections; legislation; and the substitute plans, such as the employers' loan fund, credit unions, the Morris plan, and the National Federation of Remedial Loan Associations.

The 1915-1916 *Supplement* to Payne's Banking Laws of New York has recently been published (75c.)

Among the reports of proceedings of bankers associations are to be noted:

The *Proceedings of the Twenty-fifth Annual Convention of the Georgia Bankers' Association* (Haynes McFadden, secretary, Chandler Bldg., Atlanta, 1916, pp. 180), which contains an address on "The federal reserve," by Charles S. Hamlin of the Federal Reserve Board.

*Maryland Bankers Association Twenty-first Annual Convention* (Charles Hann, secretary, Merchants-Mechanics' First National Bank, Baltimore, 1916, pp. 115).

*Thirtieth Annual Convention of the Michigan Bankers Association* (H. M. Brown, secretary, Ford Bldg., Detroit, 1916, pp. 149). This contains an address on "The Ford profit-sharing plan."

*The Proceedings of the Twenty-second Annual Convention of the Pennsylvania Bankers Association* (D. S. Kloss, secretary, Tyrone, 1916, pp. 302) contains the debate between the Pittsburgh and Philadelphia chapters of the American Institute of Banking on the question, "Resolved: That the closing of accounts on terms exceeding thirty days by acceptance is an improvement over the present method of merchandise extension" (pp. 148-181).

## Public Finance

**FINANCIAL STATISTICS OF STATES: 1915** is the title of a 125-page publication which was prepared under the supervision of Mr. Starke M. Grogan, chief statistician for statistics of states and cities, and issued by the United States Bureau of the Census in November, 1916. Perhaps the scope of this work is best expressed in the opening paragraph of the report itself.

The statistics herewith presented relate to the financial transactions of the 48 states for the fiscal year 1915 and of the financial condition of each state at the close of its fiscal year. For those states which closed their fiscal year on June 30 the data given pertain to the year beginning July 1, 1914, and ending June 30, 1915; for other states the data are of the twelve-month or fiscal period ending on a date between July 1, 1914, and June 30, 1915. The report presents statistics of (1) the total and per capita receipts of states from revenues, and from the principal classes thereof; (2) the total and per capita payments of states for expenses, interest, and outlays, and for each of the principal classes of expenses and outlays; (3) the total value of state properties; (4) the total and per capita indebtedness of states; and (5) the total and per capita assessed valuation of property subject to taxation.

In spite of the explanation in the above paragraph, to say that these statistics are for the fiscal year of 1915 is likely to be misleading to many because there are only twelve of the 48 states whose fiscal years end on June 30. Presumably this means that, for the other 36 states, these statistics are really for their fiscal years of 1914 instead of 1915.

A little more than half of the report consists of general tables which present the main analyses of receipts, payments, etc., mentioned in the paragraph quoted above. The rest of the report is text in explanation of these tables. Considerable addenda in the form of special tables are included in the text. Over a fourth of the text is devoted to the definition of the accounting terminology. Perhaps this much space for terminology is justified in order to secure definiteness and accuracy; and, furthermore, it may have some small influence in improving and in making uniform the accounting systems of some of the states.

To present, in really comparable form, the financial statistics of 48 different states, with all their diversities of organization, administration, and accounting is an exceedingly difficult, as well as a somewhat tedious and expensive, undertaking. The difficulties are great not only because the accounting systems are not uniform, but also because many of these systems are antiquated, inadequate, and misleading. This report undertakes to harmonize the data and to make them really comparable. The methods and principles followed in making this

harmonization, as outlined in the introduction, seem to be sound and, on the whole, to be as well adapted to secure the desired ends as could be expected or asked. There are certain numerated difficulties, however, which the report frankly admits that the Bureau of the Census is unable to overcome.

The analyses in the general tables are presented in good form and in as much detail as the size of the report permits. The text and the special tables therein modify or qualify the data of the general tables to such an extent that one takes a considerable risk in drawing any conclusions without first making a thorough study of a large part of the report. There are, also, some matters which one is likely to misunderstand unless familiar with the revenue systems of the states in question. This report fills an important gap in the statistics of government finance already published by the Bureau of the Census. Though not mentioned in the report itself, it is the reviewer's understanding that it was made in pursuance of the recommendations of the National Tax Association. Most or all of the data for a similar report for the following year have already been collected and it is to be hoped that such information will be made available annually hereafter. An even greater desideratum is that this and other agencies shall help to bring about improved accounting and fiscal practices in states and other governmental units.

ROY G. BLAKEY.

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THE COMPARATIVE COST OF STATE GOVERNMENTS. The present writer is especially interested in the census publication noted above because of the fact that for several months immediately preceding its publication he had been assisting the Minnesota Tax Commission in conducting an investigation or study of the comparative cost of government in a group of North Central states comprising Minnesota, Wisconsin, Michigan, Indiana, Ohio, and Iowa. This latter study covers the fiscal year of 1915 for each state except Ohio. On account of a change in the date of the fiscal year, Ohio had a 7½-month fiscal period, but no 12-month fiscal year of 1915; hence, the fiscal year of 1916 was taken in its case. Data for 1916, rather than for 1915, would have been used throughout had it been available. In the case of only three of the states mentioned above—Wisconsin, Michigan, and Iowa—are the data for the same year, 1915, presented in the census publication.

In most respects, the scope of our study is less comprehensive than that of the Bureau of the Census; and it does not undertake to make quite so many refinements in correction of the original accounting, or to put the data on an accrual rather than on a cash basis, as does the census study. Differences in amount of available time, assistance, and funds account for and justify most of these differences in treatment. Yet the results of the two studies are reasonably harmonious, in so far as we have compared them, and in so far as they refer to the same years and are otherwise comparable.

It is impossible to give here the results of our study in any detail. Perhaps the one result which most impressed the present writer is a more lively realization of the difficulties of making and presenting such studies in a way that will not be misleading to the average, and even to the careful, reader. We do not think these difficulties are peculiar to our investigation, we are sure that they were met by the census investigators, and they are characteristic of similar difficulties met in thousands of other investigations. In order to give a more vivid picture of these difficulties and to indicate their bearing upon how one should evaluate statistics it may not be amiss to cite a few concrete typical examples of the difficulties which we encountered in our study.

Chief among the causes of the difficulties are the differences in the accounting systems and the differences in the functions and activities of state departments, boards, and officials. The accounts of state auditors and treasurers are not kept primarily for the purpose of showing most clearly the current costs of government, but are concerned chiefly with appropriations and funds; that is, the chief aims of the accounting officers are to see that legislative appropriations are credited to, and that warrants drawn are charged against, their proper funds, and that these funds are not overdrawn. Though these are very legitimate and desirable functions for accounting officers to perform, accounts devised to secure these ends do not necessarily, in fact do not usually, show clearly the current costs of government. Transfers are made from one fund to another; sometimes the transfers are only one way, sometimes both ways, sometimes they are retransferred to other funds. A transfer appears as a payment or disbursement of one fund and as a receipt of another. It is obvious that the sums of the receipts and of the disbursements of all funds contain duplications and do not correspond with the cost of government to the state. Some auditors and treasurers keep accounts of most of these transfers in such a way that they can be eliminated from the totals, but in hardly any case are

all of the difficulties and dangers of misconstruction and misapprehension avoided.

Sometimes, too, appropriations are made in such a way that it is impossible for the auditor to keep a satisfactory set of accounts. For example, one state auditor writes: "We have what I consider to be a very poor system of appropriating money in this state; for instance, an appropriation is made by the legislature for a state institution or department, and then, in addition, the state institution or department is allowed to draw from the general fund the amount it may require for certain purposes and the result of this system is that it is almost impossible to tell the amount that may be drawn in many cases."

Another difficulty is that practically all the state accounts are of cash receipts and disbursements. The current costs of government for any particular year are not, strictly speaking, either the cash receipts or cash payments of that year; even still less accurately are they the tax levies of that year, or of the preceding year; rather they are more accurately the expenses accrued in that year. The total amount of cash received by the state treasurer from the first day until the last day of the fiscal year—and this is what his and the auditor's accounts show—may include large or small amounts that were due in the previous year and may fail to include equal or very unequal amounts that were due in this year but not received until later. If the lag were always exactly or even approximately the same, perhaps the figures for receipts would not be very misleading. But even then, receipts alone do not take account of balances on hand at the beginning and end of the year. If these are taken into account, we discard receipts as a measure of costs and go over to payments or disbursements.

Disbursements as a measure of current costs are perhaps the best practicable gauge that we have under existing systems of public accounting, but they, too, as an accurate measure, fall short in several respects. There is much the same difficulty about delinquent payments as about delinquent receipts. A second difficulty is that the state's fiscal year does not coincide with many of the natural fiscal years of certain activities. For example, the natural fiscal year for highway improvements may be the calendar year, so that a state's fiscal year ending June 30, or near that date, as is most common, shows parts of two years' expenditures, rather than one year's. It would seem that the natural fiscal year of universities and other state schools would correspond so well with the state's fiscal year that there would be no difficulty in these cases, at least; but owing to the lag, it is true in

practically every case that the state auditor's disbursements for these institutions contain parts of the expenditures of two different school years, rather than the complete disbursements for one year.

Another difficulty with payments or disbursements arises in connection with capital outlays and depreciation. It is obviously unsound to count as costs of government for one particular year the total disbursements that are made for permanent improvements or capital outlays such as those for lands and buildings. But it is not sound to leave out the entire expenditure for permanent improvements. "Permanent" is only a relative term; it may mean 100 years or 10 years or more or less. The average depreciation and obsolescence should be charged to each year, but no system of state accounts which we have examined attempts to take account of depreciation or makes yearly inventories of the state's assets. To do this accurately would be a rather difficult task and may or may not be justifiable on the basis of results, but there can be no accurate cost accounting in regard to public activities until it is done. No state, and few if any other divisions of government, have up-to-date accounting systems comparable to those of the better private corporations. The inertia inherent in governmental administration prevents modernization, and state accountants bemoan in vain the fact that they cannot extricate their accounts from the antiquated systems of the last century.

Though state auditors and treasurers do not carry depreciation accounts, there is a growing tendency to make a more or less rough separation or classification of payments for current purposes and for capital outlays. In many cases not even this is done, and when it is, there is little uniformity in the practice of the different states. In order to make the costs in the different states comparable, there should be uniformity in this as well as in other matters. In the present investigation this has meant much reclassification and has involved careful study of numerous state accounts, reports, and statutes, as well as consultations with, and explanatory letters from, the accounting officers of each state.

As mentioned above, not only differences in accounting, but differences in activities and functions also, give rise to much difficulty in comparing costs. For example, Wisconsin has no state auditor; most, though not all, of the usual functions of the auditor are performed by the secretary of state. The same state has a treasury agent who collects peddlers' licenses and turns them into the state treasury but who has no other connection with that office; no other

state has a corresponding state officer. Iowa alone of the six states compared has no tax commission. Some of the usual duties of this commission are performed by the auditor, the executive council, and an ex-officio board of equalization. The treasurer collects the inheritance tax in Iowa. The same is true in Wisconsin, though the tax commission performs some of the duties of assessment. In Minnesota this tax is collected by the attorney general and in Michigan by the auditor. The executive council in Iowa, which is a sort of cabinet or commission of state officers with expenses of its own not allotted to regular executive offices, has no counterpart in the other states compared. The state liquor licensing board and the board of public works in Ohio have no comparable counterparts in the other states. The boards of charities in different states have widely different powers and expenditures. The agricultural commission of Ohio has succeeded to the functions and powers formerly exercised by the state board of agriculture, the board of livestock commissioners, the board of control of the state agricultural experiment station, the dairy and food commission, the fish and game commission, the state board of veterinary examiners, and part of the former duties of the state board of pharmacy. In Indiana, there is no separate state banking, insurance or land department. The auditor looks after the usual activities of these departments, in so far as they are looked after. In Indiana and Michigan, each charitable and penal institution is under an independent board; in the other states of our group they are under central boards. In most states the state board of agriculture is a board which runs the state fair, but in Michigan it is a board of trustees or regents of the state agricultural college. A so-called state fair is held in Michigan, but the state government makes no appropriation and really has nothing to do with it. A county agent in most states means an agricultural supervisor; in Michigan it means a charitable officer. In some states, notably Iowa and Indiana, and Michigan in part, the auditors' reports take no account of earnings or fees of various institutions. In the other states most, though not quite all, of such receipts are covered into the state treasury and total disbursements as shown in the treasurer's and auditor's reports include both these earnings and ordinary appropriations from state funds. Ohio supports four state universities, Indiana two, each of the other states only one. In Michigan, Iowa, and Indiana, the state agricultural college is separate from the state university; in the other states, it is not, and its expenses cannot be satisfactorily separated from those of the uni-

versity. In most cases it is impossible to show separately the costs of the agricultural experiment stations.

The above list of differences is far from being exhaustive, but it illustrates the difficulties that must be met in making an accurate comparison of costs. Even if all of these difficulties were successfully overcome, not too much weight should be given to gross payments, or net payments, or even to per capita payments of state government as such; rather, they should be viewed in their relation to at least three other considerations: first, the burden of such payments in view of the wealth or income of the citizens of the respective states; second, the part of the total burden which payments of the state government as such entail in view of the fact that many functions performed in one state by the state government are left to the local divisions of government in other states, thereby lessening state taxes by increasing local taxes; and third, the extra services, if any, which the citizens of a state get because of the extra payments which they make. In other words, extra payments may or may not be more than justified by extra benefits which they make possible. Neither decreased nor increased cost payments are desirable or undesirable in themselves. The chief consideration is, Are the costs justified by the returns?

ROY G. BLAKEY.

REPORT OF THE INDIANA SPECIAL COMMISSION ON TAXATION. The last general revision of the Indiana tax laws was made in 1891. At that time, the legislature provided for the continuance of the general property tax, with certain minor changes from the plan previously obtaining, and created a State Board of Tax Commissioners to supervise the administration of the law. The state board was given power to assess such properties as railroads lying within the state, to reassess individuals and corporations upon appeal of the same from county boards of review, and to raise the assessments of the counties in whole or in part. The board, however, was not authorized to change local assessments upon its own initiative, nor was it given the power to appoint township or county assessors, nor to remove them in case of their inefficiency.

After about 1910, complaints against the operation of the general property tax system in Indiana became numerous and finally attracted state-wide attention. Accordingly, in 1915, the legislature authorized the appointment of a Special Commission on Taxation to study the problems of taxation as they had arisen in the experience of the state.

Subsequently five commissioners were appointed by the governor and the commission in turn secured the services of Professor Robert A. Campbell, of Cornell University, to act as its expert assistant. Under Professor Campbell's direction, a survey was made of representative counties to discover to what extent there was under-assessment of real estate. Figures were also collected relative to the assessment of personal property, both tangible and intangible. A number of hearings were held by the commission. As a result of these investigations, it was definitely established that most real estate was under-assessed, that there was wide variation in the assessment of all classes of property, and that but a fraction of intangibles was ever placed upon the tax duplicate.

In making its report (*Report of the Indiana Special Commission on Taxation*, Indianapolis, 1916) the commission failed to reach a unanimous decision. Three of its members—a real estate dealer, a farmer, and a former city official—declared that the general property tax was correct in theory, but that in Indiana it had broken down in practice merely because there had not been an efficient administration. These commissioners accordingly advocated increased powers for the State Board of Tax Commissioners—thereafter to be known as the Board of Tax Control—chief among which powers were to be the right to bring before itself for review any individual local assessment, and the right to bring proceedings in court for the removal of a local tax officer who should fail to perform his duty. The majority report also recommended the limitation of tax rates for the state, the counties, and the townships; such limitation to be preceded by a complete reassessment. It was not suggested, however, that the limitation of rates should be protected against legislative increases by an amendment to the constitution. The employment of "tax-ferrets," to search out intangible property, was also advised.

According to an opinion rendered by the attorney general of the state, the Indiana constitution excludes the employment of a classified property tax and also a progressive income tax. In view of this opinion, the majority report of the commission had little to say about an income tax; and it made practically no comment at all upon the merits of the classification plan. The latter fact is not surprising, however, when we consider the ardent defense made by the majority members in favor of a uniform general property tax.

Two minority reports were rendered: one by Professor William A. Rawles, of Indiana University, and the other by Fred A. Simms, a

former member of the State Board of Tax Commissioners. In contrast with the conservative and, in some ways, reactionary majority statement, the scholarly and scientific report of Professor Rawles stands out in pleasing relief. In this report, it was pointed out that the general property tax is incorrect in theory and that, even with a highly centralized administration, coupled with the employment of "tax-ferrets," the plan is impracticable. Limitation of tax rates as applied to special classes of property was granted approval provided such restriction was secured by the means of a constitutional amendment. Professor Rawles expressed the opinion that it would not be wise to go farther at the present time in the process of tax reform than to attempt a solution of the problem of the proper taxation of personal property. In this connection, he suggested the advisability of adopting either a classified property tax for intangibles or an income tax modeled after the Wisconsin plan; of the two plans, he favored the latter. Since the present constitution would forbid the inauguration of either of these schemes, a constitutional amendment was recommended which would afford the legislature complete freedom in putting them into operation.

The report of Mr. Simms took exception to the majority statement that the general property tax had failed in operation because of laxity in administration. It agreed with the recommendations in favor of limitations on the tax rate, provided these limitations applied to various classes of property. Mr. Simms was not prepared, however, to follow Professor Rawles in sweeping condemnation of the general property tax. To a considerable extent, the opinions in his report seem to be contradictory.

In conclusion, it is to be regretted that it proved impossible for the commission to agree upon a joint report in favor of the abolition of the general property tax and the creation of new means for raising the state's revenue. Such a result of the commission's deliberations would have great effect at the present time in promoting real tax reform in Indiana. It is a fact decidedly unfavorable to the Indiana commission that special investigations in other states of the Union have practically all condemned the general property tax and have especially disapproved of mediaeval inquisitorial methods for discovering sequestered property.

FRANK T. STOCKTON.

*Indiana University.*

The *Sixth Annual Report of the New Hampshire Tax Commission* (Concord, 1916, pp. 212) contains the papers read at the fifth annual

conference of the New Hampshire Association of Assessors, held in December, 1915. Among these are: "Municipal financing and accounting in New Hampshire," by Edward C. Mabie, assistant to the state tax commissioner (pp. 13-26); "Town and village accounts in New Hampshire," by Professor W. R. Gray, of Dartmouth College (pp. 27-42); "Taxation of intangibles," by J. H. Morris, of the board of assessors of Concord (pp. 80-86); and "Methods of valuing property for taxation," by Albert O. Brown (pp. 87-94).

The *Fifth Annual Report of the Board of Tax Commissioners of Rhode Island* (Providence, Jan. 15, 1917, pp. 49) has several pages devoted to description of the inheritance tax act of 1916.

In the *Report of the Tax Commissioner of Connecticut, 1915-1916* (Hartford, 1916, pp. 254), in addition to the statistical tables, there is extended comment on the taxation of inheritances (pp. 48-56), including a chart showing inheritance tax receipts since 1890. There are also charts of state receipts and expenditures for the year 1916. An account is given of the operation of the new tax laws of 1915. Extracts are reprinted from reports from tax commissions relating to topics immediately connected with tax problems in Connecticut and reprints of record cards and blanks used by tax officials (pp. 84-96). The brief submitted by the state to the supreme court on the taxation of water, gas, and electric companies according to gross earnings is also inserted, and there is a reprint of the addresses delivered at the Annual Conference of the State Tax Officials' Association held in Hartford in 1915 and 1916.

The *Proceedings of the Conference Held in Baltimore, Thursday, July 6, 1916, under the Auspices of the State Tax Commission of Maryland* (pp. 60) contains addresses on "Valuation," by A. C. Girdwood, secretary; "The needs of a general assessment in Maryland," by A. P. Gorman, chairman; "Plan for general reassessment of real estate," by L. W. Wickes, of the tax commission; "Administrative problems," by Oscar Leser, also a member of the commission; and "Methods of assessment in Baltimore City," by T. J. Lindsay, special assessor in Baltimore.

In connection with the proposed legislation for changing the tax system in Kentucky, the Louisville Real Estate Board submitted a brief on *Taxation of Mortgages in Kentucky* (pp. 67), prepared by E. L. McDonald. This advocates a mortgage recording tax.

The *Second Annual Report of the South Carolina Tax Association* (Columbia, 1917, pp. 133) is largely devoted to statistical tables.

The *Second Biennial Report of the Tax Commission of South Dakota* for 1915-1916 (Pierre, 1916, pp. 233) again returns to the advisability of placing local assessment under the supervision of county assessors as a substitute for local town assessors. There is a summary of laws of other states relating to abatements, rebates, and refunds. A map on page 57 shows the average assessed value of farm land per acre.

The Tax Commissioner of Massachusetts has published *Instructions to Assessors* (Boston, 1917, pp. 45) in accordance with a law passed in 1916. The purpose of this is to secure uniform assessment of real estate and tangible personal property.

The New York State Tax Department has prepared a *Review of Local Assessments, 1916* (Albany, vol. 1, no. 5, Nov., 1916, pp. 66). It deals largely with equalization.

The State Tax Board of Virginia has published two bulletins: *The Effect of Segregation in Virginia* (Richmond, Sept. 14, 1916, pp. 8); and *The Taxation of Intangibles in Virginia* (Nov. 11, 1916, pp. 13). These are issued in the form of instructions to local officials.

The Tax Commissioner of Massachusetts in Bulletin No. 1 summarizes the *Requirements of the Massachusetts Tax Law* (Boston, 1916, pp. 39), giving detailed explanations in regard to the provisions of the new income tax law.

Various banks have recently published pamphlets dealing with the new tax laws, among which may be noted: by the Bankers Trust Company, *The Federal Income Tax Law*; (pp. 46) and by the Guaranty Trust Company of New York, *The Federal Estate Tax Law and Regulations (Inheritance Tax)* (pp. 35); *The Transfer Tax Law of the State of New York as Amended in 1916* (pp. 47); and *The Secured Debts Tax Law and Mortgage Tax Law of the State of New York* (pp. 56).

Students of municipal finances are advised to note the reports of the Comptroller of the City of New York in the series known as *Financial Summary* appearing monthly and quarterly. The tables in these reports "follow the plan of progressing from generalities to particulars; from a comprehensive view of the total amount and general scope and purpose of the City's receipts and payments to a significant classification of each prime element." This series dates from the beginning of 1913.

#### Insurance and Pensions

A new annual edition has been published by the Insurance Department of the State of New York of *Fees and Taxes Charged New York*

*Insurance Companies by the Insurance Departments of Other States for 1917* (Albany, 1916, pp. 52).

The Industrial Commission of Wisconsin has prepared a bulletin on *Workmen's Compensation Insurance* (Madison, August, 1916, pp. 33). This contains a discussion of compensation cost, management expenses, insurance rates, and losses, with statistical tables.

The Board of Compensation Commissioners of Connecticut has issued a volume entitled *Compendium of Awards of the Compensation Commissioners for the years 1914 and 1915 and for the Months of January to May Inclusive of 1916* with the decisions of the Connecticut courts of appeal (pp. 732).

The *Fifth Annual Report of the Industrial Insurance Department of Washington* deals with the workmen's compensation act (Olympia, 1916, pp. 175). A full discussion is given of the operation of the system since its establishment in 1911.

The address by Walter G. Cowles, vice president of the Travelers Insurance Company, delivered before the Insurance Society of New York, October 17, 1916, on *The New York Standard Compensation Policy Forms* has been reprinted by the Travelers Insurance Company of Hartford (pp. 21).

A committee of investigation of the Province of British Columbia has published a report on *Workmen's Compensation Laws* (Victoria, Mar. 1, 1916, pp. 21). This committee visited the states of Washington, Oregon, California, Wisconsin, Ohio, New York, and Massachusetts, and the provinces of Ontario and Nova Scotia. Hearings were held in fourteen cities. Its recommendations are presented in concise and clear form. The evidence is also published in four volumes.

The Bureau of Statistics of Massachusetts has made a *Report of a Special Inquiry Relative to Aged and Dependent Persons in Massachusetts, 1915* (Boston, Dec. 15, 1916, pp. 107). This study may serve as a statistical basis for any proposed legislation for old age insurance. It is noted that this is the third inquiry on old age pensions which has been made in Massachusetts since 1907. The report was prepared under the immediate supervision of Mr. Roswell F. Phelps, of the Bureau. Appendix C contains a bibliography on old-age pensions, 1912-1916; and another appendix gives a description of systems in foreign countries.

The following pamphlets deal with health insurance: *The Need for Health Insurance*, by Irving Fisher (reprinted from the *American Labor Legislation Review*, vol. VII, no. 1, 1917, pp. 16); *Health In-*

insurance Standards and Tentative Draft of an Act Submitted by the Committee on Social Insurance of the American Association for Labor Legislation (third edition, May, 1916, pp. 32); *Dangerous Tendencies in the American Social Insurance Movement*, by P. T. Sherman, an address delivered before the Insurance Society of New York, November 21, 1916 (pp. 14). Of allied interest are *Health of Garment Workers; the Relation of Economic Status of Health*, by B. S. Warren and Edgar Sydenstricker, published by the United States Public Health Service (Washington, Reprint No. 341, 1916, pp. 10); *A Sickness Survey of North Carolina*, by L. K. Frankel and L. I. Dublin (Washington, United States Public Health Service, Reprint No. 367, 1916, pp. 27); *A Sickness Survey of Boston, Massachusetts*, by L. K. Frankel and L. I. Dublin (New York Metropolitan Life Insurance Company, 1916, pp. 23).

#### Demography

The Bureau of the Census has made *Estimates of the Population of the United States* as of July 1, 1915, January 1, 1916, July 1, 1916, and January 1, 1917.

The paper by Lee K. Frankel, of the Metropolitan Life Insurance Company, entitled *A Study of Mortality Statistics of Southern Communities*, read before the Southern Sociological Congress of New Orleans, April 12, 1916, has been reprinted as a pamphlet (pp. 15). This is a useful summary of the surveys which have been made during the past few years of the health conditions in the southern cities. Based upon such surveys, the author presents data to indicate the effects which health campaigns have had upon mortality in that section of the United States. Tables are prepared derived from the reports of the Bureau of the Census and also the experience of the Metropolitan Life Insurance Company, with comparisons for the white and colored population.

The federal Bureau of the Census has issued the following reports: *Cotton Production and Distribution, 1915-1916* (Bull. 134, 1916, pp. 99); *Rice Cleaning and Polishing. Census of Manufacturers: 1914* (1916, pp. 9); *Financial Statistics of States, 1915* (1916, pp. 125); *Mortality Statistics, 1914* (1916, pp. 714).

#### Federal Public Documents

FEDERAL DOCUMENTS AND THE REVISION OF THE PRINTING LAWS. The economists of this country probably make more use of the publications of the federal government than any other single group of

readers. They will, therefore, have a special interest in the proposal now before Congress to revise and codify the printing laws, embodied in the printing bills (Senate bill 1107 and House bill 8664).<sup>1</sup> These two bills are practically identical and closely follow the provisions of the printing bills introduced in the preceding Congress. The particular interest of each economist in these bills relates to the provisions they make for placing copies of official publications where he may consult them. This need is, of course, best met by a system of prompt distribution of a complete file of the important documents to the libraries of the institution with which he is connected or in some library available to the public generally. Up to the present time this has been attempted by making one library in each congressional district a "depository" library—that is, a library in which public documents are regularly deposited free of charge on condition that the public is allowed free reference use of the volumes. There are now about 500 of these depositories. They include the libraries of most of the larger colleges and universities, and usually it is to these libraries that the economist must refer in order to consult this material.

When the plan of depository libraries was adopted, it was apparently the intention of Congress that each should keep on its shelves a complete file of federal publications; and at first practically everything printed for the government was sent to each depository in the form of a "collected set" of documents. This file usually contained not only the documents printed for the special use of Congress but also those printed by the executive departments for the information of Congress. From the Fifteenth Congress, this "collected" or "congressional" set of documents has consisted of four series: Senate reports, House reports, Senate documents, House documents. At the time the system of depository libraries was inaugurated, the publications of the federal government consisted of about one hundred items annually; and apparently it was assumed that there would be no difficulty in having the depositories keep for their readers complete files of these records of the operations of the national government. In recent years interest in these publications has increased and some complaints have arisen because the work of arranging and binding the documents in sets, with document numbers, volume, and serial numbers affixed, delayed the dis-

<sup>1</sup> In the hope of effecting some of the economies of these bills, the Printing Committee of the Senate introduced, on January 10, a brief bill (Senate bill 7795) containing some of the more important provisions of the larger bills. This bill has been passed by the Senate, but it is doubtful if there will be time to pass it in the House during the present session.

tribution of the sets to libraries until some months after the close of each session of Congress. To make the information available as soon as possible, the plan was adopted of a preliminary distribution; that is, upon the publication of an annual report, such as that of the Secretary of the Treasury, unbound copies without document numbers—the so-called plain-title or departmental edition—were immediately sent to the depositories. Later on, the same volume would be given its House document number and made part of the collected set. There would thus be two editions of the same publication sent to the libraries. In some cases the same publication would appear in more than two editions. This duplication of editions of course has caused the libraries considerable labor and some confusion in the listing, cataloguing, and indexing of the documents.

At the present time the number of congressional documents and reports amount to about 2,000 annually. In the two years of the Sixty-third Congress (April 7, 1913-March 3, 1915) this number was 5,309, and the "collected" or "congressional" set was bound up into 352 volumes. In addition to these 352 volumes, there were a large number of departmental publications not included in the set. The present situation is, therefore, that libraries and institutions receiving federal publications must expect to handle this large volume of printed matter, part of which is in the form of the collected set (with volume and document numbers attached) and part of which is in the departmental or plain-title editions.

To simplify this situation, the representatives of the libraries and others have recommended the plan of publishing one edition only of each document and by preference publishing only the edition without any document number. In response to these appeals, Congress, in 1907, directed that all annual and serial publications originating in the executive departments should not be included in the numbered document series of Congress, even though the publication were one specifically ordered to be printed by either house. The plan was in operation for less than one year, and proved to be unsatisfactory to those connected with the work of Congress. In January, 1908, Congress directed that the document numbers should be replaced on the annual and serial publications which are required by law to be submitted to Congress but provided that the depository libraries should receive these publications only in the plain-title editions, without document number. Thus the congressional set for the first session of the Sixty-fourth Congress (December 6, 1915-September 8, 1916)

consists of 3 volumes of Senate reports, all distributed to the depositories; 4 volumes of House reports, all distributed; 44 volumes of Senate documents, all except volume 2 distributed; 149 volumes of House documents, only the following being distributed to the depositories: volumes 3-4, 17, 21-26, 29, 39-40, 85-87, 122, 126, 137-149. The numbers omitted had been distributed in the plain-title or departmental editions, so that only 30 out of the 149 volumes of uniformly bound House documents have been sent to the libraries; if a library desires to make up a complete set to continue its former files, the departmental editions must be inserted in the missing spaces.

Obviously the arrangement is an unsatisfactory compromise. Expressed in its simplest terms the problem amounts to this: The congressional set is a convenient form of preserving the reports and documents needed by a legislative body—in fact practically all the important countries of the world have adopted a form similar to this for the use of their parliamentary bodies. The difficulty arises when this piece of legislative apparatus is presented to libraries whose needs call for an entirely different arrangement of this material.

In the work of a large legislative body, such as the Congress, it is of considerable importance to have an identifying mark on each publication in addition to the title of the document. Many of the titles closely resemble each other—in some cases recent documents have had the exact title of earlier documents; many of the titles are misleading and apparently have no connection with the subject-matter of the report; the names of the authors (*i.e.*, bureaus or departments) change frequently; several departments have had bureaus with identical names (such as the old bureaus of statistics in at least three departments); sometimes two or more departments will issue reports on the same subject. In the next place, it is important to Congress to have all the reports, submitted to it at each session, published in one document set; these reports from the executive departments are prepared for the use of Congress, which has by law required their presentation; and at the present time they number between 400 and 500 annually. In the hurry of a legislative session, with over 500 members of the two houses to be supplied with this material, these points probably have much greater weight to the officials of Congress than they have outside of the city of Washington. On the other hand, the need of those engaged in research work is for a file of documents arranged by subject; and in order to enable the libraries to do their work efficiently in meeting this need, the publications should, as far as possible, be printed in

a form which will enable the libraries to arrange the volumes in this manner. It is also a help to the libraries to have but one edition of each publication.

The printing bills now before Congress provide that when a document is once printed it shall always retain that form, and even if ordered reprinted by either house the original titles must be kept. It specifies, however, that reports required to be made to Congress by law shall be issued as numbered documents, and the reprints of these must retain the document number. This will eliminate from the congressional set such publications as the Geological Survey bulletins, monographs, Ethnology bulletins, Pan-American Union bulletins, and the like, which of course are not usually required by Congress in the enactment of legislation.

This solution of the problem will not be satisfactory to those who have urged the abolition of the congressional set as the only logical way to settle the problem. The bill provides, however, that the Joint Committee on Printing of the two houses shall have charge of the binding of documents for the depository libraries. As this committee and its officials have always taken a sympathetic attitude towards the wishes of the libraries, their needs will undoubtedly be given careful consideration in making up the sets for libraries. In particular, the recommendation of the Superintendent of Documents that the volume numbers be omitted from the sets, and that the actual title of the volume be made the principle title with the document number as a secondary title, will undoubtedly be taken up soon after the bill is enacted.

One feature of the bill which will be of assistance to economists is the so-called valuation plan of distribution of documents to members of Congress. The existing printing laws provide that each member shall receive a small number of every document published, with the result that the member from a city district is given the same number of agricultural publications, which he cannot use, as the member from a farming district, while the latter is given a number of publications which he does not need, but which would be of use to the city member. The proposed valuation plan provides each member of the House with a book credit of \$1,800 and each Senator with a similar credit of \$2,200 annually. On demand, the Superintendent of Documents must supply each member with available publications up to the values just named. This will make it possible for a library, or for any one interested, to apply to a member of Congress for copies of publications; and, instead of being limited to one or two copies of important documents as at present, the member will be in a position to furnish a number of copies

of important items from his account. The plan will also enable a library to secure additional copies of documents for seminar or other reference collections, while the instructor will find it more easy to obtain copies for personal use.

In order to show clearly the present status of the congressional set of public documents, a list is appended which indicates the form in which the documents of the first session of the Sixty-fourth Congress will be distributed.

HENRY J. HARRIS.

*Library of Congress, Washington, D. C.*

#### SENATE REPORTS

#### Serial Number

Vols. 1-3—Nos. 1-871 (with exceptions): Miscellaneous 6897-6899

Vols. A-C—Nos. 8-869 (with exceptions): Reports on private bills, etc. . . . . 6900-6902

#### HOUSE REPORTS

Vols. 1-3—Nos. 4-1201 (with exceptions): Miscellaneous 6903-6905

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The lettered volumes contain only the reports on private bills and joint resolutions and on simple resolutions. Under the provision of the act of January 20, 1905, the "usual number" of such reports could not be printed. These private reports are bound in volumes lettered A to C for Senate reports and A to D for House reports. These cannot be furnished to depository libraries, but copies will be kept in the Senate and House libraries, the Library of Congress, and the library of the Office of the Superintendent of Documents. Volumes 1-3 of the Senate and volumes 1-4 of the House, which will be furnished as usual, contain all the reports on public bills and joint resolutions ordered printed during the session.

#### SENATE DOCUMENTS<sup>1</sup>

Vol. 1—No. 1: Report of secretary of Senate, July 1, 1914-June 30, 1915 . . . . . 6911

Vol. 2—No. 2: Report of Government Printing Office, 1915 . . . . . 6912

Vol. 3—No. 3: Navy yearbook, 1883-1916. . . . . 6913

Vol. 4—No. 21: Laws of 3d Philippine legislature, 3d session, with certain laws enacted by Phillippine Commission . . . . . 6914

Vols. 5-6—No. 247: Fiscal relations between United States and District of Columbia, report of Joint Select Committee, with hearings . . . . . 6915-6916

<sup>1</sup> Volume 2 is omitted from the sets supplied to libraries.

Vol. 7—No. 268: Aeronautics, 1st annual report of National Advisory Committee for Aeronautics, Mar. 3-June 30, 1915 .....	6917
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<sup>2</sup> Only the following volumes are included in the sets supplied to libraries:

3, 4, 21-25, 26, 29, 39-40, 85-87, 122, 126, 137-149.

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## PERIODICALS

The REVIEW is indebted to Robert F. Foerster for abstracts of articles in Italian periodicals, and to R. S. Saby for abstracts of articles in Danish and Swedish periodicals.

### Theory

(Abstracts by W. M. Adriance and A. N. Young)

DEL VECCHIO, G. *Questioni di economia teorica relative alle guerra*. Giorn. d. Econ., Aug., 1916 (supplement). Pp. 40.

EINAUDI, L., ROBERTSON, J. M., and BELL, H. *I problemi economici della pace*. Rif. Soc., May-July, 1916. Pp. 40.

FETTER, F. A. *An appeal to "the sober reader."* Journ. Pol. Econ., June, 1916. Pp. 10.

A reply to Professor Davenport's review of Fetter's *Economic Principles*. It is urged that the reviewer has been unfair in various ways, particularly in imputing to Professor Fetter views which he does not hold.

FREY, J. P. *Robert F. Hoxie: investigator and interpreter*. Journ. Pol. Econ., Nov., 1916. Pp. 10.

An account of Hoxie's methods in the teaching and study of labor problems.

HAMILTON, W. H. *The development of Hoxie's economics*. Journ. Pol. Econ., Nov., 1916. Pp. 29.

An able study of Hoxie's mental development and varied interests by a writer to whom Hoxie, the man, had plainly made strong appeal.

PERSONS, C. E. *Teaching the introductory course in economics*. Quart. Journ. Econ., Nov., 1916. Pp. 22.

College teaching should be training for citizenship. More emphasis should be put upon teaching ability differentiating between the teacher and the research professor. Teaching should consist of training the student to think. The lecture method should be abandoned, and greater reliance be put upon the closer contact of teacher with student.

THORNBERG, E. H. *Produktion och förvärf*. Ek. Tids., No. 5, 1916. Pp. 11.

A theoretical discussion of production and consumption. The author is not content with a mere equalization of production and consumption, but desires social income stream that satisfies human wants and increases productive power.

WHITAKER, A. C. *Fetter's principles of economics*. Pol. Sci. Quart., Sept., 1916. Pp. 15.

A review of Prof. Fetter's recent text. In the main sympathetic and commendatory. The writer feels that Fetter has put himself to unnecessary trouble in squaring his terminology with the conclusions of modern psychology.

ZEUTHEN, F. *En moderne liberalist*. Nat. ök. Tids., July-Oct., 1916. Pp. 21.

An appreciative presentation of Carver's theory of distribution, contrasting it with the socialistic.

*A tentative bibliography of Robert F. Hoxie's published works*. Journ. Pol. Econ., Nov., 1916. Pp. 3.

### Economic History, United States

(Abstracts by E. L. Bogart)

ABEL, A. H. *The journal of John Greiner*. Old Santa Fé, July, 1916. Pp. 50.  
Greiner was an Indian agent in New Mexico in 1852.

ANDREWS, C. L. *Alaska under the Russians: industry, trade, and social life*. Wash. Hist. Quart., Oct., 1916. Pp. 18.

Covers the period 1817-1867.

ATKINSON, B. A. *Reminiscences of the old stage line*. Overland, June, 1916.

BELL, H. C. *The West India trade before the Revolution*. Am. Hist. Rev., Jan., 1917. Pp. 16.

Describes the actual mechanism of the trade, the kind of vessels employed, the routes followed, and the methods of sale, remittance, and insurance.

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LE DUC, W. G. *Minnesota at the Crystal Palace Exhibition, New York, 1853*. Minn. Hist. Bull., Aug., 1916. Pp. 18.

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LEE, J. *Journey from Liberty, Missouri, to the Oregon country in 1834*. Quart. Ore. Hist. Soc., June, 1916.

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LENHART, J. *The Capuchins in Acadia and northern Maine*. Rec. Am. Catholic Hist. Soc., Dec., 1916. Pp. 28.

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*South Dakota bankers' association.* Northwestern Banker, June, 1916.

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### Economic History, Foreign

(Abstracts by Clive Day)

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BERNARD, F. *Le Maroc économique.* I, II. Journ. des Econ., Oct., Nov., 1916. Pp. 16, 19.

BRYNE, E. H. *Commercial contracts of the Genoese in the Syrian trade of the twelfth century.* Quart. Journ. Econ., Nov., 1916. Pp. 42.

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CHATTERJEE, A. C. *Coöperative distribution in northern India.* Indian Journ. Econ., Apr., 1916. Pp. 15.

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CLAUSEN, J. *Guatemala: its commercial and financial possibilities.* Econ. Wld., Dec. 9, 1916. Pp. 4.

CLÉMENT, H. *Histoire d'un réformateur: Robert Owen.* Réf. Soc., Aug. 16, 1916.

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EMORY, A. D. *The Canadian fishing industry.* Econ. Wld., Nov. 18, 1916. Pp. 2.

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(Abstracts by M. T. Copeland)

ANDERSON, B. M. *\$45,000,000,000 of home trade; foreign, \$8,000,000,000*. Analyst, Jan. 8, 1917. Pp. 3.

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AUSTIN, O. P. *Who's who in 1916 world commerce?* Journ. Am. Bankers Assoc., Dec., 1916. Pp. 5.

Summary of export trade; estimate of domestic trade.

BAKER, H. D. *Russia as America's commercial land of promise.* Stone & Webster Journ., Dec., 1916. Pp. 18.

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BENHAM, R. *Trade after the war.* Bankers' Mag. (London), Oct., 1916. Pp. 13.

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BULL, A. J. *The probable effect of the war upon the trade of the world.* Journ. Inst. Bankers, Nov., 1916. Pp. 21.

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CONWAY, T. *Financing American war orders.* Ann. Am. Acad., Nov., 1916. Pp. 20.

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DAVENPORT, H. J. *Wooling trade that can't be held.* Annalist, Nov. 6, 1916. P. 1.

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DUBERN, E. *Domaine et perspectives d'Union Economique Internationale.* Rev. Sci. Pol., Oct. 15, 1916. Pp. 25.

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DUNCAN, C. S. *The economics and legality of premium giving.* Journ. Pol. Econ., Dec., 1916. Pp. 30.

Arguments for and against use of trading stamps and other premiums.

E. L. *Le port de Paris.* Monde Econ., Dec. 9, 1916. Pp. 3.

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HARDING, H. McL. *Why New York needs a port of transshipment.* Greater N. Y., Nov. 6, 1916. Pp. 2.

Advantages of a "free port."

HARRIS, E. L. *Sweden's trade and shipping.* Americas, Nov., 1916. Pp. 5.

Impetus furnished by war.

HECKSCHER, E. F. *Exportbegränsning under kriget.* Ek. Tids., no. 5, 1916.

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HESS, R. H. *Futility of a good embargo.* Annalist, Dec. 4, 1916. P. 1.

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Methods of trade control and promotion.

*Latin American foreign trade in 1915—general survey.* Bull. Pan. Am. Union, Nov., 1916. Pp. 10.

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*List of references on the trade of the United States as affected by the war.* Special Libraries, Sept., 1916. Pp. 5.

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*To protect the commerce of the city of New York.* Greater N. Y., Nov. 6, 1916.

Objections to readjustment of through freight rates requested by New Jersey cities.

*Vast possibilities seen in foreign trade outlook.* Greater N. Y., Oct. 23, 1916.

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(Abstracts by Ralph E. Heilman)

CLARK, E. *Municipal ownership in the United States.* Intercollegiate Socialist, Oct.-Nov., 1916.

A compilation of recent statistics regarding the extent, distribution, and growth of the municipal ownership movement in the United States.

COOKE, M. L. *The thermal test and the gas situation.* Utilities Mag., Nov., 1916.

The nation-wide effort of gas companies to secure a reduction in the candle power requirement for gas, with particular reference to the proposed change in Chicago.

COOKE, M. L. *The nationalization of the private utility interests.* Utilities Mag., Nov., 1916.

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DREYFUS, E. D. *Reckoning with costs of superseded equipment.* Elec. Wld., Aug. 5, 1916.

Reasons why expenditures should be permitted to remain in the capitalization.

ERICKSON, H. *Problems in rate regulation accentuated by higher operating costs.* Elec. Wld., Jan. 6, 1917.

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FLEMING, S. W., JR. *Rewarding ably-managed public utilities.* Elec. Wld., Nov. 4, 1916.

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KEALY, P. J. *Overhead charges in valuation.* Aera, Oct., 1916.

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KING, C. L. *National issues in local franchises.* Elec. Ry. Journ., Oct., 14, 1916.

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KING, C. L. *Rules regulating water service adopted by state public service commissions.* Utilities Mag., Nov., 1916.

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LEAVITT, B. *How commission regulation is working out for the consumer and the utility.* The Bulletin (United Gas & Elec. Eng. Corp.), Dec., 1916.

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MELLING, H. T. *Operating costs for municipal gas engine plant.* Power, July 4, 1916.

OLDHAM, J. E. *Report of public service corporation committee.* I. B. A. of A. Bull., Oct. 18, 1916.

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PIKE, C. W. *Service standard for electric light and power companies as prescribed by public service commissions.* Utilities Mag., Sept., 1916.

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RICHBERG, D. R. *The Chicago gas case.* Utilities Mag., Nov., 1916.

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SHORTS, T. F. *The public service corporation and the working man.* Elec. Ry. Journ., Dec. 16, 1916.

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VALENTINE, A. L. *Prospects poor for Seattle municipal lives.* Elec. Ry. Journ., June 24, 1916.

A synopsis of the report of the superintendent of public utilities to the city council of Seattle.

WILSON, C. P. *Financing utilities operating under state control.* Gas Age, July 15, 1916.

Commissions should protect the rate of returns to stockholders as well as to bondholders. Rate of return for gas utilities should be from 8 to 10 per cent upon the valuation, varying inversely with the size of the property.

WOOD, A. E. *The labor problem of municipal utilities.* Utilities Mag., Sept., 1916.

Labor problems and conditions upon street railways, and the relation of public service commissions thereto.

*Boston Elevated seeks financial relief from commission.* Elec. Ry. Journ., Sept. 30, 1916.

Special committee appointed to consider the Boston Elevated Railway Company claims as to the need for additional revenue. The company's proposals look toward assurance of 6 per cent dividends on stock.

*Brooklyn rate order not accepted.* Elec. Wld., Dec. 2, 1916.

Edison Electric Illuminating Company of Brooklyn requests a rehearing upon the recent rate decision of the New York First District Commission. Allowances made for depreciation constitute the center of the chief controversy.

*The individual service contract in Indianapolis.* Elec. Ry. Journ., Sept. 30, 1916.

Description of the individual contracts in use between electric railway employees in and around Indianapolis, and their companies. So far as known, these together with the New York contracts are the only individual working agreements in the electric railway field.

*Kansas City railway gains public favor.* Elec. Ry. Journ., Sept. 30, 1916.

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*Regulating \$5,313,000,000 of utilities.* Elec. Ry. Journ., Dec. 30, 1916.

A description of the administrative and departmental organization of the New York Second District Commission.

## Railways and Transportation

(Abstracts by Julius H. Parmelee)

ADAMSON, W. C. (See entry under THOM, A. P.)

ALLIX, G. *La grève des agents des chemins de fer du Nord de l'Espagne.* Journ. des Trans., Oct. 7, 1916. Pp. 4.

ALLIX, G. *Salaires et tarifs.* Journ. des Trans., Dec. 16, 1916. Pp. 2.

BALCH, C. F. *Analyzing a typical freight car journey.* Ry. Age Gaz., Dec. 22, 1916. Pp. 3.

BALL, W. H. *The company's pension plan.* B. & O. Employee's Mag., Nov., 1916. Pp. 8.

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BARTHOLOMEW, W. S. *Mechanical firing of locomotives.* Pro. St. Louis Ry. Club, Nov. 10, 1916. Pp. 44, illus.

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BONNER, F. A. *Is Intercolonial's failure due to low rates?* Ry. Age Gaz., Dec. 15, 1916. Pp. 4.

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BOWEN, S. W. *A municipal river terminal system for St. Louis.* Journ. Engg. Club of St. Louis, Nov.-Dec., 1916. Pp. 86.

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BUCK, A. M. *Some graphical solutions of electric railway problems.* Univ. Ill. Bull., July 24, 1916. Pp. 36.

CARTER, W. S. *The Adamson law: the employees' viewpoint.* Pro. Acad. Pol. Sci., Jan., 1917. Pp. 9.

CARTER, W. S. *What the railroad employees are fighting for.* N. Y. Times Mag., Dec. 10, 1916. Pp. 2.

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CLAPP, E. J. *The Adamson law.* Yale Rev., Jan., 1917. Pp. 19.

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COOK, W. W. *Legal possibilities of federal railroad incorporation.* Yale Law Journ., Jan., 1917. Pp. 17.

COUNTY, A. J. *Railroad credit and the success of regulation.* Ry. Age Gaz., Nov. 3, 1916. Pp. 3.

CUNNINGHAM, W. J. *What shall we do with our railroads?* Stone & Webster Journ., Jan., 1917. Pp. 14.

DANIELS, W. M. *Some of the very pressing transportation problems.* Ry. Age Gaz., Jan. 5, 1917. Pp. 3.

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DELANO, F. A. *The railway problem.* Ry. Rev., Jan. 20, 1917. Pp. 5.

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FAHY, W. J. *The problem of government ownership.* Nat. Mag., Aug., 1916.

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HOFFMAN, L. E. *Federal arbitration legislation*. Ann. Am. Acad., Jan., 1917. Pp. 6.

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HOPKINS, J. H. *A monthly analysis of operating expenses*. Ry. Age Gaz., Jan. 5, 1917. Pp. 3.

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LEIGH, E. B. *The true relation of shippers to the transportation problem*. Ry. Rev., Dec. 30, 1916. Pp. 3.

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LINCOLN, E. E. *The control of return on public utility investments*. Am. Econ. Rev., Dec., 1916. Pp. 5.

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- McCABE, D. A. *Federal intervention in labor disputes under the Erdman, Newlands, and Adamson acts.* Pro. Acad. Pol. Sci., Jan., 1917. Pp. 14.
- MARSH, A. R. *American railroads and their prosperity in 1916.* Econ. Wld., Dec., 1916. Pp. 2.
- MONKSWELL, R. A. H. C. *German railways: early days and development.* Ry. News, Nov. 1, 1916. Pp. 2.
- NAGEL, C. *The railway wage law.* Journ. Engrs. Club St. Louis, Sept.-Oct., 1916. Pp. 16.
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- NOXON, F. W. *The enfant terrible of the railroads.* Nation's Business, Jan., 1917. Pp. 3.
- Historical discussion of the principle of state rights and state control over railways.
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- History and analysis of conditions leading up to Adamson law; effect of the law.
- PARMELEE, J. H. *The trend of railway earnings in the year 1916.* Ry. Age Gaz., Dec. 29, 1916. Pp. 4.
- Analysis of 1916, and forecast for 1917.
- PAYEN, E. *Les résultats de l'exploitation des chemins de fer français.* L'Econ. Franç., Nov. 11, 1916. Pp. 2.
- Comparison of 1913, 1914, and 1915.
- PAYEN, E. *Les tarifs de chemins de fer l'étranger et en France.* L'Econ. Franç., Nov. 18, 1916. Pp. 3.
- PENTON, J. A. *Observations—operation of transportation facilities and manufacturing activities in the Verdun region.* Pro. Ry. Club Pittsburgh, Nov. 24, 1916. Pp. 23.
- PLYLE, J. G. *The life of James J. Hill.* III. World's Work, Dec., 1916. Pp. 10.
- The first two articles were mentioned in the December number of this REVIEW.
- RAFFALOVICH, A. *Russia's railroads before, during, and after the war.* Econ. Wld., Jan. 6, 1917. Pp. 5.
- Translation of an article in *L'Economiste Française* for December 2, 1916.
- RIPLEY, E. P. *How I got customers to see my side.* Railroad Men, Dec., 1916. Pp. 6.
- By the president of the Santa Fé System.
- ROBBINS, E. C. *The trainmen's eight-hour day.* Pol. Sci. Quart., Dec., 1916. Pp. 17.

The first of a series of two historical articles on the eight-hour developments of 1916 on the railways.

SAKOLSKI, A. M. *Railroad operating expenses and property values.* Journ. Account., Aug., 1916. Pp. 12.

SINSHEIMER, P. A. *Commission government. II. Public utility regulation in California.* Outlook, Sept. 6, 1916. Pp. 4.

SISSON, F. H. *Investment and economic aspects of the "eight hour law" for railroads.* Trust Companies, Oct., 1916. Pp. 3.

A plea for "American fair play" for the railways.

THOM, A. P., ADAMSON, W. C., and VAN HISE, C. E. *A clinic on the railroad situation.* Nation's Business, Dec., 1916. Pp. 4.

THOMPSON, W. S. *Railway publicity.* Pro. Canadian Ry. Club, Oct., 1916. Pp. 10.

TRUMBULL, F. *The Adamson law: the employers' viewpoint.* Pro. Acad. Pol. Sci., Jan., 1917. Pp. 6.

UNDERWOOD, O. W. *Why I believe the Interstate Commerce Commission should have power to fix wages and hours of labor on interstate carriers.* Ann. Am. Acad., Jan., 1917. Pp. 8.

VANDERLIP, F. A. *Opportunity and responsibility of the railroad man.* Ry. Age Gaz., Nov. 10, 1916. Pp. 4.

VAN HISE, C. R. *The railroad hours of labor law.* Ann. Am. Acad., Jan., 1917. Pp. 9.

VAN HISE, C. R. (See entry under THOM, A. P.)

VAUGHT, C. H. *The economic value of the railway surgeon to the railways and other corporations employing labor.* Ry. Surgical Journ., Oct., 1916. Pp. 5.

VOGEL, R. *Berechnung der Selbstkosten im Durchgange- und Nahgüterverkehr.* Archiv f. Eisenbahnw., Nov.-Dec., 1916. Pp. 10.

Technical mathematical study of the relation between operating and interest costs, and applicability to different classes of service (local and through freight, etc.).

WATKINS, E. *Federal versus state regulation of railroads.* Case & Comment, Oct., 1916. Pp. 6.

WILCOX, D. F. *Shall the Interstate Commerce Commission and the state public utility commissions fix wages on the railroads and on local public utilities?* Ann. Am. Acad., Jan., 1917. Pp. 10.

Suggests collective bargaining and arbitration, with final appeal to the commissions.

YOUNG, J. T. *Government arbitration and mediation.* Ann. Am. Acad., Jan., 1917. Pp. 12.

Strongly advocates arbitration, with a period of compulsory investigation and public report if necessary.

*The Adamson law before the Supreme Court.* Ry. Age Gaz., Jan. 12, 1917. Pp. 3.

Summary of government and railway briefs.

*British railways in 1916.* S. African Rys. & Harbours Mag., Dec., 1916. Pp. 4.

*Cars and locomotives ordered in 1916.* Ry. Age Gaz., Dec. 29, 1916. Pp. 12.

Purchases of locomotives and freight cars larger than in 1915; of passenger cars, smaller.

*Electric railway statistics.* Elec. Ry. Journ., Jan. 6, 1917. P. 1.

*History of locomotive development.* Pro. Engrs. Club Philadelphia, Nov., 1916. Pp. 12, illus.

*Italy's new and better railroad organization.* Ry. Age Gaz., Jan. 12, 1917. Pp. 4.

War organization of Italian railways.

*New electric railway track built in 1916.* Elec. Ry. Journ., Jan. 6, 1917. Pp. 2.

Mileage built in 1916 was 744 miles, the smallest number on record.

*Power of the government of the United States to own and operate railroads, etc.* Va. Law Register, Apr., 1916. Pp. 12.

*Protest against the federal valuation.* Ry. Age Gaz., Dec. 15, 1916. Pp. 3.

Analysis of protests filed by Atlanta, Birmingham & Atlantic and Texas Midland railways as to results of physical valuation of their properties.

*Railway construction statistics for 1916.* Ry. Age Gaz., Dec. 29, 1916. Pp. 7.

New mileage built during 1916 was 1,098 miles, the smallest since 1864, excepting 1915.

*Railway situation at close of year 1916.* Ry. Age Gaz., Dec. 29, 1916. Pp. 4.

Resemblances to and contrasts with 1906.

*Receiverships and foreclosure sales.* Ry. Age Gaz., Dec. 29, 1916. Pp. 3.

Mileage in hands of receivers on December 31, 1916, amounted to 34,559 miles.

*State control of Irish railways.* Ry. News, Dec. 23, 1916. P. 1.

Irish railways taken under Government scheme of war operation as of December 16, 1916.

*Les chemins de fer espagnols et la guerre.* Journ. des Trans., Oct. 21, 1916. Pp. 2.

*Les chemins de fer de Grèce.* Bulletin des Transports Internationaux par Chemins de Fer, publié par l'Office Central à Berne, Dec., 1916. Pp. 12.

## Accounting

(Abstracts by Martin J. Shugrue)

BENTON, J. E. *Commission valuation for rate purposes.* Elec. Ry. Journ., Oct. 14, 1916. Pp. 5.

Origin of fair value rule. Cites cases allowing going value when actual costs are proved. Makes plea for free presentation of facts by companies.

BUTTERFIELD, B. F. *Logic of municipal fund accounts.* Journ. Account., Nov., 1916. Pp. 6.

Considers the question of fund or appropriation accounts and explains how these accounts should show something more than merely the cash receipts and disbursement of city administrators.

CARVER, H. E. *Continuous inventories—their value and preparation*. Elec. Ry. Journ., Nov. 18, 1916. Pp. 2.

Four general groups of property suggested, with forms and methods of collecting and recording data.

CLARK, E. S. *Practical costs*. Indus. Management, Dec., 1916. Pp. 6½.

First article of a series. Begins with balance sheet, and by analysis traces the various elements through the office into the factory and finally back to the fiscal balance sheet at the close of a period.

DUNN, H. *Accounting inconsistencies and fallacies*. Elec. Ry. Journ., Oct. 14, 1916. Pp. 2½.

Criticises commission provisions for appropriation accounts, sinking fund reserves, amortization of debt, discount and expense, and other points.

FARNHAM, D. T. *Fixing profits graphically*. Engg. Mag., Oct., 1916. Pp. 7.

The graphic presentation of profits and their determining factors and how the practise may be standardized. Illustrated.

FOREMAN, A. E. *Keeping cost data on municipal work carried out by day labor*. Canadian Engr., Dec. 14, 1916. Pp. 4.

GRISWOLD, E. H. *Fundamentals of investment securities accounting*. Journ. Account., Nov., 1916. Pp. 5.

Most security selling firms have inadequate accounting systems. Outlines essential facts that such systems should show.

HOLLOWAY, C. B. *Tanning industry accounting*. Journ. Account., Jan., 1917. Pp. 5.

Basic methods in devising and installing a system of accounting for a tanning plant.

JONES, W. E. *The work of the statistician*. Elec. Ry. Journ., Oct. 14, 1916. Pp. 2.

Separate branch to handle electric railway statistical work is a step in the right direction. Examples of work of a statistician.

KEALY, P. J. *Overhead charges in valuation work*. Elec. Ry. Journ., Oct. 14, 1916. Pp. 6.

Only charges directly associated with the cost of reproducing physical and corporate elements of property are discussed. What charge should not be depreciated.

KLOTZ, R. G. *The principles of depreciation accounting*. Indus. Management, Nov., 1916. Pp. 12.

Critical survey of three primary methods: the "straight line," the "sinking fund," and the "reinvested sinking fund" methods. Illustrated with charts.

KNOEPPPEL, F. J. *Industrial accounting*. VI. Journ. Account., Nov., 1916.

True net operating efficiency is due to conservation of assets as well

as utilization of energy, and its correct expression calls for a portrayal of cost (economy) efficiency as well as production (energy) efficiency.

LILL, T. R. *Treatment of depreciation in railway income statements.* Journ. Account., Jan., 1917. Pp. 5½.

Why depreciation now required by the Interstate Commerce Commission to be included as a part of the operating expenses of railroads should be eliminated therefrom and shown as a separate item of expense.

LOEBENSTEIN, J. *Growth and depreciation.* Elec. Ry. Journ., Nov. 18, 1916.

Manner of company's growth affects per cent condition. Property does not settle down to fixed per cent condition.

MASON, J. K. *Synthetic costs.* Engg. Mag., Oct., 1916. Pp. 4.

In the determination of unit costs synthesis is the first principle; method and detail must adhere to it to be consistent.

MINER, E. J. *Salmon industry accounting.* Journ. Account., Nov., 1916.

Describes the essential features of the system of a company operating on a large scale. Illustrated with six exhibits.

MIXTER, G. W. *The operating value of cost systems.* Iron Age, Oct. 26, 1916.

PATON, W. A. *Theory of the double-entry system.* Journ. Account., Jan., 1917. Pp. 20.

The essence of the double-entry system is the separation of the members of the equation "property equals equities," and the maintenance of this equation.

PIEZ, C. *The relation between perpetual inventory value and appraisal value.* Journ. Am. Soc. Mechanical Engrs., Dec., 1916.

SAKOLSKI, A. M. *The progress of federal valuation of railroads.* Am. Econ. Rev., March, 1917. Pp. 6.

SHEPARD, R. B. *How should abandoned property be valued?* Engg. Record, Oct. 21, 1916.

SMITH, M. A. *A rule for testing the tax valuations of railroads.* Am. Econ. Rev., March, 1917. Pp. 15.

VILLARD, H. G. *Capital and revenue accounts in Canadian public finance.* Econ. Wld., Dec. 23, 1916. Pp. 2.

Explains methods of distinguishing between capital and revenue expenditures in Canadian public finance.

WILDMAN, J. *Accounting and modern industry.* Elec. Ry. Journ., Oct. 14, 1916. Pp. 2.

Accounting has played and is playing an important part in industrial development. How accounting can serve administration.

WOLFF, M. *Interpretation of water works accounts.* Journ. Am. Water Works Assoc., Sept., 1916. Pp. 5.

Discussion of problems in accounting for water works.

*The accounting and reporting methods of the state of New York.* Munic. Research, June, 1916. Pp. 212

1. Laws and practices affecting accounting and reporting. 2. A description of the financial reports of the state of New York. 3. The accounting and reporting methods of the state comptroller's office. Appendix, forms for reporting state finances.

*Cost system for manufacturers.* Pace Student, Oct., 1916. Pp. 3.

In this issue and succeeding issues is reprinted, with a few abridgements, the text of the Federal Trade Commission's pamphlet on *Fundamentals of a Cost System*, with comments on various points of particular interest.

*Restaurant costs.* Pace Student, Dec., 1916. Pp. 3.

The advance in the cost of food brings many professional problems to the accountant for solution.

### Investments

(Abstracts by Arthur S. Dewing)

ANDERSON, G. B. *The effect of the war on new security issues in the United States.* Ann. Am. Acad., Nov., 1916.

Indicates transition from debtor to creditor nation. Intimates that American corporations, particularly railroads, suffered because of foreign financing.

BOXN, N. Y. *Naturalization of capital.* Ann. Am. Acad., Nov., 1916.

War has dealt a deadly blow to the neutrality of international finance.

CHAFIN, A. B. *Municipal bonds over the counter and in small denominations.* Nat. Munic. Rev., Oct., 1916.

First figures give significant statistics indicating relative necessity of different classes of investments available for trust funds; shows municipalities safest and bank stocks least. Does not approve of sales over the counter.

FISHER, I. *Rate of interest after war.* Ann. Am. Acad., Nov., 1916.

Asserts that interest rates in Europe will be higher after the war, those in United States tend to rise.

GUYOT, Y. *Caractère des placements français avant la guerre.* Journ. des Econ., Dec., 1916.

Suggests the great inherent strength of the French investment situation and emphasizes that the greatest value for capital now and after the war is in production enterprise at home.

HOBSON, C. K. *British oversea investments, their growth and importance.* Ann. Am. Acad., Nov., 1916.

These investments have somewhat contracted, due to war, but much withdrawn from the Americas loaned to the allies, especially Russia.

HUEBNER, S. S. *The American security market during the war.* Ann. Am. Acad., Nov., 1916.

Brief and clear statement. Correctly distinguishes between "war stocks" and "the balance of the market" and makes few sweeping generalizations.

KEMMERER, E. W. *The theory of foreign investments.* Ann. Am. Acad., Nov., 1916.

The mechanism and impediments to foreign investment.

LAWSON, W. R. *The British treasury and the London stock exchange.* Ann. Am. Acad., Nov., 1916.

Deprecates interference of the government in the operations of the exchanges. Contains a striking sentence: "Publicity is the keynote of American finance; secrecy is the British keynote."

LOUGH, W. H. *Needs for capital in Latin America.* Ann. Am. Acad., Nov., 1916.

A brief summary of specific investment conditions in each of the principal central and South American countries.

McROBERTS, S. *Russia's future needs for capital.* Ann. Am. Acad., Nov., 1916.

A very optimistic account of the economic possibilities of "the new Russia."

PATTERSON, E. L. S. *London and New York as financial centers.* Ann. Am. Acad., Nov., 1916.

London by reason of geographical location and national traits of character destined to remain the dominant center.

ROBERTS, G. E. *America's ability to make foreign investments.* Ann. Am. Acad., Nov., 1916.

Suggests that the obstacles are psychological rather than economic.

SALIER, E. A. *The war and the International Mercantile Marine Company.* Journ. Pol. Econ., Dec., 1916.

A brief clear account of the recent reorganization based on the phenomenal war earnings.

SKELTON, O. D. *Canadian capital requirements.* Ann. Am. Acad., Nov., 1911.

Shows the shift of foreign borrowings from Great Britain to the United States.

WILCOX, D. F. *The future of public utility investments.* Ann. Am. Acad., Nov., 1916.

WILLIAMS, T. T. *Fluctuations in the prices of securities.* Bengal Econ. Journ., Sept., 1916.

Contends that bond or fixed income securities fall in price during business activity whereas stocks rise.

WILSON, H. *The relation of government to foreign investment.* Ann. Am. Acad., Nov., 1916.

The government should, for political reasons, guide rather than control foreign investments.

WOLFE, S. H. *A suggestion for a modified form of amortization with a brief memorandum of the applicability of that principle to the bonds of miscellaneous companies.* Econ. Wld., Nov. 4, 1916.

Suggests the amortization of premiums—and presumably discounts—at an assessed and uniform rate. An able treatment of a very knotty problem.

YOUNGMAN, E. H. *Short-term investments as a stabilizing influence in international finance.* Ann. Am. Acad., Nov., 1916.

Contains computation showing \$1,500,000,000 foreign short-term obligations. These will give us a strong strategic position after war and a shield against attack on our gold reserves.

*Number of stockholders falls as prices rise.* Annalist, Jan. 1, 1917.

A remarkable statistical compilation showing the above statement true. May show that investors do sell out at the top to speculators—contrary to the latters' complacent assumption.

*Utility bonds for savings banks.* Elec. Ry. Journ., Oct. 28, 1916.

Summarizes Oldham's report to the Investment Bankers Association. Suggests definite tests.

*"Ifs" and "ands" of foreign war bonds.* World's Work, Dec., 1916.

General uncertainty attaching to these securities, based on the present unusual situation.

### Labor and Labor Organizations

(Abstracts by George E. Barnett)

ASHTON, T. S. *The relation between unemployment and sickness.* Econ. Journ., Sept., 1916. Pp. 5.

The high correlation between sickness and unemployment shown by the record of the Amalgamated Society of Engineers is attributed chiefly to malingering.

BERRIS, A. J. *Metal trades department.* Am. Federationist, Oct., 1916. Pp. 12.  
Historical and descriptive.

MCCABE, D. *Arbitration awards under the Erdman and Newlands acts.* Am. Econ. Rev., March, 1917. Pp. 3.

CARTER, G. B. *The triple alliance of labour.* Econ. Journ., Sept., 1916. Pp. 15.

The significance of the alliance between the Miners' Federation, the Railwaymen, and the Transport Workers.

CLARK, L. D. *When a railroad employee is hurt: the legal tangle.* Journ. Pol. Econ., Oct., 1916. Pp. 6.

Considers various proposals to clear up the uncertainty as to the jurisdiction of the state and federal governments.

CONWAY, T., JR. *Solving the labor problem in Philadelphia.* Elec. Ry. Journ., Nov. 4, 1916. Pp. 5.

The results of the coöperative plan introduced in 1911 by the Philadelphia Rapid Transit Company.

EDWARDS, J. W. *Industrial diseases of iron and steel workers in Middlesbrough.* I. & C. T. R., Aug., 1916.

GIRALDONI, A. *Un nuovo istituto giuridico sociale in formazione: Partecipazione sociali di lavoro costituite mediante ultrasalari.* Riv. Intern., Sept. 30, 1916. Pp. 13.

The first instalment of a study of a form of profit sharing.

GLEASON, C. J. *A living wage by legislation and the Oregon experience.* Commonwealth Rev., July, 1916. Pp. 35.

Hoxie, R. F. *Scientific management and labor welfare*. Journ. Pol. Econ., Nov., 1916. Pp. 20.

Scientific management and labor tends to narrow craft knowledge. The remedy is industrial education.

Hoxie, R. F. *Why organized labor opposes scientific management*. Quart. Journ. Econ., Nov., 1916.

Scientific management looks to constant change; unionism to fixity and uniformity.

Ogburn, W. F. and Kelly, E. *Wages in American cities*. Quart. Pubs. Am. Stat. Assoc., Sept., 1916. Pp. 5.

The cities are ranked on the basis of trade union wage rates.

Schlesinger, B. *Protocol in the dress and waist industry*. Am. Federationist, Nov., 1916. Pp. 3.

Brief account of the 1916 agreements.

Shadwell, A. *The welfare of factory workers*. Edinburgh Rev., Oct., 1916.

Sullivan, J. W. *British union labor in war time*. Am. Federationist, Oct.-Nov., 1916. Pp. 8, 9.

Tracy, T. F. *History of the union label trades department of the A. F. of L.* Am. Federationist, Dec., 1916, Jan., 1917. Pp. 7, 9.

Unden, O. *Lagförslaget om arbetstvister*. Ek. Tids., No. 9, 1916. Pp. 13.

A favorable account of the proposed labor dispute legislation in Sweden.

*The intellectual failure of the trade unions*. New Statesman, Sept. 2, 1916.

The English unions can face the urgent problems growing out of the war only by the creation of a General Staff.

*Job selling in industrial establishments in Ohio*. Mo. Rev., U. S. Bureau Labor Stat., Oct., 1916. Pp. 5.

Abstract of a report of the Ohio Industrial Commission.

*A mighty stride for the right—the 1916 A. F. of L. convention*. Am. Federationist, Jan., 1917. Pp. 9.

Outline of the more important matters considered.

*Piecework*. New Statesman, Sept. 23, 1916. Pp. 2.

Suggestions with reference to the solution of the problem in the engineering trades.

*Proposed changes in Canadian industrial disputes investigation act*. Mo. Rev. U. S. Bureau Labor Stat., Dec., 1916. Pp. 2.

The chief changes proposed in the tentative draft submitted by the Canadian Department of Labour are designed to prevent delays in the procedure.

*Some inside workings of the B. of L. E.* Ry. Age Gaz., Nov. 10, 1916.

Testimony recently given before the examiner of the I. C. S. as to pressure exercised on members to favor high-power head lights on locomotives.

*Some new studies of industrial fatigue.* Mo. Rev. U. S. Bureau Labor Stat., Dec., 1916. Pp. 8.

Brief abstract of recent reports by a committee of the British A. A. S. and by the Health of Munition Workers' Committee.

### Money, Prices, Credit, and Banking

(Abstracts by Chester A. Phillips)

AGGER, E. E. *Educational campaign concerning commercial paper.* Am. Econ. Rev., March, 1917. Pp. 2.

BABSON, R. W. *The rural credit act and its effect on the investment market.* Ann. Am. Acad., Nov., 1916. Pp. 9.

A summary statement of the main features of the act and the conditions which led to its passage. New farm loan bonds will compete chiefly with low-yielding high-grade industrial and government securities.

BONN, M. J. *The fall in German exchange.* Quart. Journ. Econ., Nov., 1916.

Contends that interrupted communications and Germany's unfavorable trade balances with her neutral neighbors are responsible for the general decline in mark exchange.

CASSEL, G. *The present situation of the foreign exchanges.* II. Econ. Journ., Sept., 1916. Pp. 3.

A study in inflation.

D. D. *De skandinaviska centralbankernas sedelutgivning och guldkassor.* Ek. Tids., No. 5, 1916. Pp. 3.

A statistical account of the note issue and gold reserves of the central banks in the Scandinavian countries.

FERRIN, A. W. *The Morris plan of industrial loans and investments.* Moody's Mag., Oct., 1916. Pp. 2.

Origin, operation, and widespread success of the Morris banks, which are alleviating distress, eliminating the loan shark and making money for their shareholders.

FREDELIUS, H. *Om sparbanksrörelsen i Sverige under åren 1911-1914.* Ek. Tids., No. 3, 1916. Pp. 11.

A study of savings bank statistics in Sweden, 1911-1914.

GARNETT, P. *The history of the trade dollar.* Am. Econ. Rev., March, 1917. Pp. 8.

HAMLIN, C. S. *The federal reserve act.* Journ. Account., Nov., 1916. Pp. 9.  
The benefits of the system.

HULTMAN, I. *Andringar i lagen för Norges bank.* Ek. Tids., No. 9, 1916. Pp. 6.

A criticism of recent changes in the Norwegian banking law regulating note issue.

KEESING, L. *Gold's actual status.* Annalist, Nov. 13, 1916. P. 1.

Uncertainty as to the future monetary standards of the fighting nations. Gold may be dethroned.

KEMMERER, E. W. *Six years of postal savings in the United States.* Am. Econ. Rev., March, 1917. Pp. 45.

LEWIS, G. *The growth of acceptance business.* Journ. Am. Bankers Assoc., Dec., 1916. Pp. 3.

The merits of the acceptance. The growth of bankers' and trade acceptances.

MILLER, A. C. *The federal reserve system: looking ahead.* Econ. Wld., Nov. 4, 1916. Pp. 4.

An urgent invitation to member banks of the federal reserve system to keep a large part of their gold holdings in the regional banks.

MILLER, A. C. *Our golden problem.* Annalist, Annual Review, 1916. Pp. 3.

Impounding of gold in federal reserve banks as means of minimizing inflation and of preventing an embarrassing foreign drain of gold after the war.

OPPENHEIM, A. *Foreign exchange: today's topic, today's opportunity.* Moody's Mag., Nov., 1916. Pp. 8.

The disturbing influence of the war on foreign exchange and the resulting investment and speculative possibilities in connection with foreign bills and bonds.

PALGRAVE, R. H. I. *Trade banks.* London Bankers' Mag., Dec., 1916. Pp. 7.

Advocates their establishment.

PLUMP, A. H. *A western view of the federal farm loan act.* Am. Bldg. Assoc. News, Dec., 1916. Pp. 4.

A somewhat unfair criticism of the measure by a friend of the Building and Loan Association.

POWNALL, G. H. *A financial survey, inaugural address of the President of the Institute of Bankers.* Journ. Inst. Bankers, Dec., 1916. Pp. 29.

A defence of the English banking system.

RAFFALOVICH, A. *La Banque D'Allemagne en 1915.* L'Econ. Franç., Nov. 25, 1916. Pp. 3.

An interesting analysis of the report of the president of the Reichsbank to the shareholders, March, 1916.

RAFFALOVICH, A. *The British trade bank.* Journ. des Econ., Nov. 15, 1916. Pp. 9.

The writer, like English bankers, is not enthusiastic about the project.

DE RIBES-CRISTOPLE. *La Banque de France. Les raisons de renouveler son privilège.* Monde Econ., Dec. 2, 1916. Pp. 7.

Historical sketch of former renewals of the charter of the Bank. The services of the Bank during the war: a 1 per cent loan of 9 billion francs to the state to meet the expenses of mobilization during 1914 and 1915; liberal extension of credit to other institutions at outbreak of war prevented a panic; loan of 500 million francs to the State Bank of Russia to take up the Russian paper left in the French market. In the future the Bank will furnish capital for building up

the wastes of war and for modernizing industry. There promises to be no opposition to a renewal of the charter on essentially the same terms as before.

ROBERTS, J. V. *Rural credits*. Am. Bldg. Assoc. News, Oct., 1916. Pp. 7.

A critical account of the federal farm loan act.

ROBINSON, E. L. *One hundred years of savings banking*. Econ. Wld., Oct. 14, 1916. Pp. 4.

ROVENSKY, J. E. *The manner in which our financial relations with European countries are maintained*. Econ. Wld., Dec. 2, 1916. Pp. 3.

An important description of our present financial and exchange relations with the belligerent and Scandinavian countries.

SHAIRP, L. V. *Municipal savings banks*. Charity Organ. Rev., Nov., 1916.

The municipal savings banks (War Loan Investment) act, passed in August, 1916, provides for the establishment in England and Scotland of municipal banks for facilitating the investment of savings in securities issued for purposes of the present war.

SHEPPARD, R. L. *Standard schedule of charges for various kinds of trust company service*. Trust Companies, Dec., 1916. Pp. 5.

The desirability of standard charges for usual fiduciary services of trust companies. A basis for standardization is proposed.

VANDERLIP, F. A. *Our gold reserves after the war*. Ann. Am. Acad., Nov., 1916. Pp. 9.

European methods of controlling gold movements.

WAYNE, J., JR. *Exchange charges, country clearing houses and settlement of balances*. Bankers Mag., Oct., 1916. Pp. 5.

A banker's arraignment of the clearing plan of the federal reserve system.

WICKSELL, K. *The Scandinavian gold policy*. Econ. Journ., Sept., 1916. Pp. 6.

WILLIS, H. P. *The Philippine national bank*. Bankers Mag., Dec., 1916.

Organized May 2, 1916, to do a general banking business including the issue of notes, the buying and selling of foreign exchange.

ZIMMER, G. *Foreign exchange during the war*. Ann. Am. Acad., Nov., 1916. Pp. 10.

*The part played by banks in agricultural economy in Kansas*. Intern. Rev. Agri. Econ., Sept., 1916. Pp. 6.

The relation between a democratic, state banking system and the agricultural development of Kansas.

*Post-office money order system and the extent of its business*. Journ. Am. Bankers Assoc., Sept., 1916. Pp. 3.

*The proposals for a British trade bank*. Bankers' Mag. (London), Nov., 1916. Pp. 7.

Lord Faringdon and his distinguished committee urge the formation

of a privately owned bank, with official recognition, for the financing of long-time overseas business.

*Reserve board can not confer trust company powers in Michigan.* Journ. Am. Bankers Assoc., Nov., 1916. Pp. 5.

*Will gold be dethroned?* Annalist, Oct. 30, 1916. Pp. 2.

Arguments for and against the probability of the abandonment of the gold standard by the warring nations. Views of economists given in answer to queries.

### Public Finance

(Abstracts by Charles P. Huse)

ADAMS, T. S. *The continual increase of public expenditures and taxes.* Econ. Wld., Dec. 16, 1916. Pp. 5.

Devotes particular attention to taxation of insurance companies.

BARRETT, G. E. *The new French loans.* Moody's Mag., Nov., 1916. Pp. 4.

Describes the recent French loans, especially the mechanism of the \$50,000,000 commercial credit arranged in New York for the benefit of French manufacturers.

BLAKEY, R. G. *The comparative cost of state government.* Am. Econ. Rev., March, 1917. Pp. 5.

BLAKEY, R. G. *Financial statistics of states.* Am. Econ. Rev., March, 1917. Pp. 2.

BORGATTA, G. *I profitti industriali e la pressione fiscale.* Rif. Soc., Aug.-Sept.-Oct., 1916. Pp. 25.

Taxes have been one factor, but only a secondary factor, in lowering corporate profits in Italy.

BRISMAN, S. *Det norska förslaget till skatt på oförtjänt jordvärdestegning.* Ek. Tids., No. 3, 1916. Pp. 4.

A criticism of legislation proposed in Norway to tax unearned increment.

BROWN, A. S. *French war finances.* Moody's Mag., Oct., 1916. Pp. 5.

Describes the economic and financial position of the French nation.

BULLOCK, C. J. *The taxation of property and income in Massachusetts.* Quart. Journ. Econ., Nov., 1916. Pp. 61.

A valuable account of the development of the Massachusetts tax system from earliest times to the enactment of the income tax of 1916.

CLARK, F. E. *The purposes of the indebtedness of American cities, 1880-1912.* Munic. Research, July, 1916. Pp. 72.

A valuable statistical analysis of the growth of municipal indebtedness. The high per capita debt of \$69 in 1880, due to the boom period culminating in 1873, declines to \$49 in 1890, and then rises to \$66 in 1904 and \$90 in 1912. Figures show that the per capita burden increases with the size of the city, that loans for productive purposes are

increasing in importance, and that the growth of the debt for education has been remarkable.

COLLINS, C. W. *The coming of the budget system*. S. Atlantic Quart., Oct., 1916. Pp. 19.

Describes the present wasteful system of federal appropriations and the proposed plan for a real budget.

CLEVELAND, F. A. *Results of New York City budget analyzed*. Record and Guide, Dec. 2, 1916.

DAVENPORT, H. J. *Theoretical issues of the single tax*. Am. Econ. Rev., March, 1917. Pp. 30.

DENBY, C. *The national debt of China—its origin and its security*. Ann. Am. Acad., Nov., 1916. Pp. 16.

A useful review of Chinese financial history, with particular attention to the national debt.

EDGEWORTH, F. Y. *British incomes and property*. Econ. Journ., Sept., 1916. Pp. 9.

Discusses a number of statistical problems relating to the British income tax found in Stamp's *The Application of Official Statistics to Economic Problems*.

HÖLJER, E. *Den budgetmässiga inkomstberäkningen i Sverige, Norge och Danmark*. Ek. Tids., no. 4, 1916. Pp. 29.

A comparative study of the budgets of Sweden, Norway, and Denmark, showing the expected and the realized amounts from certain sources of state income during the years 1890-1910.

JÈZE, G. *Les finances de guerre de l'Angleterre: les économies publiques de guerre*. Rev. Sci. Légis. Finan., July-Aug.-Sept., 1916. Pp. 111.

An interesting account of the progress made by the British government in securing economies. Considers such topics as foreign purchases, munition-making, and price limitations.

JÈZE, G. *Les finances de guerre de l'Italie*. Rev. Sci. Légis. Finan., July-Aug.-Sept., 1916. Pp. 30.

Describes Italy's financial resources and her methods of financing the war.

KAY, T. B. *The duties of the state treasurer, the state funds and how they are expended*. Commonwealth Rev., July, 1916. Pp. 3.

A brief statement of the finances of Oregon.

KENNEDY, J. T. *Dividends and the new income tax law*. Journ. Account., Jan., 1917. Pp. 4.

Takes up obscure points in the operation of the federal income tax.

LAGERQUIST, W. E. *Germany's war finances*. Moody's Mag., Nov., 1916. Pp. 6.

Describes the methods Germany has followed in financing the war, showing their elements of strength and weakness.

LAPP, J. A. *State administration and budget*. Governors' messages. Am. Pol. Sci. Rev., Nov., 1916. Pp. 6.

Gives proposals for budget reform made by governors of Rhode Island, Maryland, and New York.

LOLINI, E. *Il concetto di reddito in finanza ed in economia pura.* Riv. Ital. di Soc., May-Aug., 1916. Pp. 25.

MALBURN, W. P. *The tax dodger as the Treasury sees him.* Annalist, Jan. 8, 1917. Pp. 3.

The Assistant Secretary of the Treasury cannot accept Carl Snyder's estimate that 80 per cent of the people with taxable incomes escape the income tax.

MASCAREL, A. *Les familles terriennes et l'impôt progressif sur les successions.* Réf. Soc., Oct. 1, 1916. Pp. 26.

Progressive inheritance taxes, by forcing the sale of medium-sized landed estates, threaten the existence of the French landed family.

MUKHERJI, P. *State aid to industries.* Indian Journ. Econ., Apr., 1916.

An account of measures, in operation and contemplated, to improve the industrial position of India.

PAGE, T. W. *The movement for tax reform in Virginia.* Journ. Pol. Econ., Oct., 1916. Pp. 18.

A review of taxation in Virginia and the attempts at reform since 1900.

PISTOIESE, S. *Credito pubblico e privato nella finanza di guerra inglese.* Riv. di Sci. Banca, July-Aug., 1916. Pp. 10.

RAFFALOVICH, A. *Les finances de l'Empire allemand.* Journ. des Econ., Oct., 1916. Pp. 7.

Describes the new German taxes.

RIGHTON, C. E. *Recent progress in municipal budgets and accounts.* Concluded. Nat. Munic. Rev., Oct., 1916. Pp. 7.

Reviews progress in budget reform in American and Canadian cities.

RYAN, A. R. *Municipal assessments.* Canadian Munic. Journ., Oct., 1916.

Shows the advantages of the Somers system of assessment.

SCHMIDT, L. *Financial war policies of Germany.* Moody's Mag., Dec., 1916.

Deals chiefly with problems of foreign exchange and public credit.

SELWYN-BROWN, A. *Canadian government finance.* Moody's Mag., Nov., 1916.

A survey of Canadian finances, both of the dominion and the provinces, indicates that they are ably and conservatively managed.

SHAVER, C. W. *Grand Rapids budget system.* Munic. Journ., July 20, 1916.

SOYEDA, J. *The war and Japanese finance.* Econ. Journ., Sept., 1916. Pp. 9.

The depression existing the first year of the war has given way to prosperity, very much to the advantage of Japanese finances.

WHITE, J. D. *Land-value taxation and feu-duties.* Land Values, Oct., 1916.

Explains how the feu-duties could be dealt with under a scheme for taxing land-values.

YOUNG, L. E. *Mine taxation in the United States.* Univ. Ill. Studies Soc. Sci., Dec., 1916.

Gives the historical accounts of the methods used by the federal and state governments in the taxation of mines.

ZOLLMANN, C. *Tax exemption of American Church property.* Mich. Law Rev., June, 1916.

*Citizen agencies for research in government.* Munic. Research, Sept., 1916. Pp. 114.

Describes the work done by such agencies for municipal research as the Philadelphia, Chicago, and Dayton bureaus and the Boston finance commission.

*Land values conference held in Glasgow.* Land Values, Dec., 1916. Pp. 11.

An account of the recent conference called to promote the taxation of land values.

*New York City's individual income tax payment.* Greater N. Y., Dec. 4, 1916. P. 1.

Gives interesting figures concerning federal income tax collections in New York state.

*Street paving and gross earnings taxes.* Stone & Webster Journ., Oct., 1916.

Believes Tacoma's policy in imposing charges upon its street railway is shortsighted.

*Les nouveaux impôts projetés; l'impôt sur les bénéfices de guerre.* L'Econ. Franç., Dec. 2, 1916. Pp. 3.

A brief summary of French war taxes with special reference to the tax on war profits.

*La situation financière de la France après deux ans de guerre et les crédits pour la fin de l'exercice 1916.* L'Econ. Franç., Sept. 16, 1916. Pp. 3.

A brief review of French war finances.

## Housing

(Abstracts by James Ford)

BEAUBEGARD, P. *L'importance de la question des loyers.* Monde Econ., Nov. 25, 1916. Pp. 2.

Compares number of rented quarters for 1871 and 1915 and discusses moratorium briefly.

BOGARDUS, E. S. *The house-court problem.* Am. Journ. Soc., Nov., 1916. Pp. 9.

Analysis of 1202 house-courts in Los Angeles.

CULPIN, E. G. *Housing organization.* II. Garden Cities & Town Planning, Oct., 1916. Pp. 9.

Housing at first Garden City, Letchworth.

FORD, G. B. *How New York City now controls the development of private property.* City Planning, Oct., 1916. Pp. 6.

Describes zoning law of New York City.

FORD, G. B. *Town planning New York.* Garden Cities & Town Planning, Oct., Nov., 1916. Pp. 6.

Zoning by heights, area, and use.

FORD, JAMES. *Bibliography of tuberculosis in its relation to house inspection and housing betterment.* Am. Journ. Pub. Health, Dec., 1916. Pp. 8.

Lists 150 titles of articles from the English, French, and German, and submits comments concerning the more important.

ILDER, J. *Hopewell, a city eighteen months old.* Survey, Dec. 2, 1916. Pp. 5.

Study of the rapid development of a Virginia munitions manufacturing town.

MULLER, A. F. *How Kenosha is solving its housing problem.* Am. City, Nov., 1916. Pp. 3.

Methods of the Kenosha Homes Company in Wisconsin.

NICHOLS, J. C. *City planning and real estate development.* Landscape Architecture, Oct., 1916. Pp. 9.

Economic importance of street planning.

OLMSTED, F. L. and others. *Building lines.* Landscape Arch., Oct., 1916. Pp. 5.

Argument for building lines in Brookline, Massachusetts.

RÖGIND, S. *Kjöbenhavnske Boligforhold.* Nat. ök. Tids., July-Oct., 1916. Pp. 33.

Study of the lack of housing accommodations in Copenhagen. It is acute in all three Scandinavian countries at the present time, largely because of war conditions and war prices.

VEILLER, L. *The relation of housing to the public health movement.* Am. Journ. Pub. Health, Nov., 1916. Pp. 5.

Urges establishment of "housing bureau" in health departments.

WARREN, H. *The five-per-cent limit.* Garden Cities & Town Planning, Nov., 1916. Pp. 3.

The interest limit for housing companies should be raised because of prevalent high interest rate.

*Building restrictions in New York City.* Landscape Arch., Oct., 1916. Pp. 7.

### Insurance and Pensions

(Abstracts by Henry J. Harris)

BALDWIN, F. S. *A protest from the manager of the New York state insurance fund.* Econ. Wld., Oct. 21, 1916. P. 1.

The temporary suspension of dividends by the fund was caused by an increase of accidents due to the unusual industrial activity of the period.

BELLOM, M. *The illusion of a profit for the state from a monopoly of fire insurance.* Econ. Wld., Oct. 21, 1916. Pp. 3.

The project of creating a state fire insurance monopoly in France for the purpose of providing additional revenue to meet war costs should be rejected for reasons of insurance principle and practice.

COX, H. C. *A decade of business progress in Canada, with particular reference to life insurance.* Econ. Wld., Dec. 23, 1916. Pp. 3.

Canada has promptly met all financial obligations; has endeavored to promote life insurance.

DAY, W. A. *Group insurance*. Econ. Wld., Dec. 16, 1916. Pp. 3.

Supplements individual insurance and protects the worker in a manner to benefit the employer and society.

DOWNEY, E. H. *The organization of workmen's compensation insurance*. Journ. Pol. Econ., Dec., 1916. Pp. 33.

Fundamental types of carriers are state, mutual, and stock. The competitive organization is inappropriate to work-accident insurance; from the standpoint of social utility, the case for monopoly is fairly overwhelming. The choice lies between compulsory state and compulsory mutual insurance.

ERSKINE, J. B. *The United States Steel and Carnegie pension fund*. Econ. Wld., Dec. 9, 1916. Pp. 2.

Description of fund and data as to operations of benefits for retirement, death, and accident.

FACKLER, D. P. *The desirability of increasing the sale of annuities in the United States*. Econ. Wld., Oct. 28, 1916. Pp. 2.

Suggests changing the basis of annuity reserves from  $3\frac{1}{2}$  to 4 or even  $4\frac{1}{2}$  per cent to make annuities more attractive.

FRANKEL, L. K. *Some fundamental considerations in health insurance*. Econ. Wld., Dec. 9, 1916. Pp. 3.

Suggests plan for federating health insurance carriers, with the view of larger preventive work.

HARDISON, F. H. *Unsettled problems*. News Letter (Ins. Soc. of N. W.), Oct., 1916. Pp. 8.

These are: taxation of insurance companies, coöperative rate-making in fire insurance, over-insurance, agents' commissions.

HARPER, E. R. *How far should a life insurance company go toward conserving the lives of its policyholders?* Econ. Wld., Sept. 30, 1916. Pp. 2.

There should be no limit of a company's efforts in life conservation, but coöperation offers wider opportunities.

HAWKHURST, A. *Insurance from a merchant's viewpoint*. News Letter (Ins. Soc. of N. Y.), Oct., 1916. Pp. 8.

HUNTER, A. *Social insurance: its general meaning and its meaning for this country*. Econ. Wld., Nov. 11, 1916. Pp. 5.

General review of accident, health, invalidity, old age and unemployment insurance, with recommendations to actuaries to participate in the movements for these forms of insurance in order to put them on a scientific basis.

HUNTER, A. and ROGERS, O. H. *The need in medical selection of standards by which to measure border-line risks*. Econ. Wld., Nov. 25, 1916. Pp. 3.

Plea for the adoption of a system of rating factors for insurance on lives which are below standard. Describes method of using trained lay clerks in the valuation of lives for insurance.

MANSFIELD, B. *The relation of government to our economic and social interests, with especial reference to insurance*. Econ. Wld., Sept. 30, 1916. Pp. 3.

Government regulation, state operation, and social insurance.

MEEKER, R. *The conference on social insurance*. Mo. Rev. U. S. Bureau Labor Stat., Jan., 1917. Pp. 5.

Resumé of conference in Washington, December 5-9, 1916. Conference succeeded in making progress toward agreement on the broad principles of social insurance.

MOORE, R. F. *Failures of life insurance companies in the United States*. Econ. Wld., Oct. 14, 1916. P. 1.

Southern companies have had better record than other sections.

MORTIMER, J. D. and others. *Social relations of electric railways*. Elec. Ry. Journ., Oct. 21, 1916. Pp. 9.

Report of committee of American Electric Railway Association on life, health, and accident insurance for employees on electric railways. Interesting diagrams of experience of typical companies.

NESBIT, C. F. *Reserves of fire insurance companies*. Econ. Wld., Oct. 14, 1916. Pp. 4.

Reserves should be fixed independently of premiums and should be calculated on the basis of the risk assumed.

RHODES, E. E. *The income tax section of the new federal reserve law as it affects life insurance*. Econ. Wld., Nov. 4, 1916. Pp. 2.

Explanation of new features of tax on corporations and comparison with former provisions.

RIEDEL, R. *Classification, regulation and coöperation in fire insurance rate-making*. Econ. Wld., Oct. 7, 1916. Pp. 3.

Summary of articles in *Quarterly Journal of Economics*. See previous issues of AMERICAN ECONOMIC REVIEW.

ROWE, J. S. *The demonstrated vices and weaknesses of public mutual (state fund) workmen's compensation insurance*. Econ. Wld., Dec. 30, 1916. Pp. 4.

Adverse criticism of organization and administration of state funds of Washington, Ohio, West Virginia, New York, Pennsylvania, and California.

RYAN, H. E. *The experience rating plan of the Ohio State Insurance Fund for workmen's compensation*. Econ. Wld., Oct. 7, 1916. Pp. 2.

Statement in brief form of Ohio plan.

SCHNITZLER, F. *Determination of consequences of industrial accidents in Austria*. Mo. Rev. U. S. Bureau Labor Statistics, Dec., 1916. Pp. 37.

Austrian accident insurance law provides compensation based on decrease of earning power due to the injury. Estimate of the decrease is made by officials of the system, with an appeal to courts of arbitration. Decisions made in about 100 cases are analyzed.

SHARPE, D. R. *Friction in the working of the national insurance act*. Charity Organ. Rev., Dec., 1916. Pp. 8.

Cases assisted by the London C. O. S.

Actuary Albert H. Mowbray on the rising tendency of the industrial accident rate. A letter from Dr. Frederick L. Hoffman on the variation of the industrial accident rate. Econ. Wld., Nov. 18, 1916. Pp. 3.

The increase in accident frequency in boom times is due not so much to the introduction of new employees, as to a lower grade of employees. Hoffman suggests that temporary periods of exceptional industrial activity are not likely to disturb the general average.

*Coöperative agricultural insurance in Germany and Switzerland.* Daily Commerce Repts., Jan. 6, 1917. Pp. 9.

Organization and operation of mutuals providing hail and livestock insurance.

*Death rates and average age at death among members of certain trade-union benefit funds.* Mo. Rev. U. S. Bureau Labor Stat., Jan., 1917. Pp. 8.

Summary of data collected from records of unions, partly drawn to 1915.

*The encouraging downward tendency of the general and the industrial accident mortality rate in the United States.* Econ. Wld., Oct. 28, 1916. Pp. 2.

Summary of studies by F. L. Hoffman.

*Fire insurance in Uruguay.* Daily Commerce Repts., Jan. 9, 1917. Pp. 2.

Legal regulation, fees, etc., and operations of individual companies in 1913-1915.

*History and present status of insurance in Japan.* Econ. Wld., Dec. 2, 1916. Pp. 3.

State supervision began in 1900. Post office controls industrial life insurance.

*Insurance—an aid to efficiency.* Annalist, Dec. 25, 1916. P. 1.

Account of insurance system of Union Pacific Railway providing benefits for death, accident, and sickness.

*Insurance companies in Greece.* Daily Commerce Repts., Nov. 2, 1916. P. 1.

Business of life, marine, and fire companies in 1915.

*Insurance legislation in Bolivia.* Daily Commerce Repts., Jan. 5, 1917. P. 1.

Text of law of 1904 covering all forms of insurance.

*National insurance acts. The departmental committee's interim report.* Journ. Inst. Actuaries, Oct., 1916. Pp. 25.

Review of interim report of departmental committees on approved society finance and administration. This report recommends postponing the date when increase of benefits is to occur, in order to provide larger present income.

*Social insurance in Germany: statistics of operation, 1914.* Mo. Rev. U. S. Bureau Labor Stat., Jan., 1917. Pp. 3.

Data from recent official publications on accident and invalidity insurance.

*The war pensions act, 1915.* Charity Organ. Rev., Oct., 1916. Pp. 8.

Difficulties encountered in administration of the act.

*Women in industry.* Am. Labor Legis. Rev., Dec., 1916. Pp. 62.

Summarizes provisions for maternity benefits and insurance in leading countries.

## Pauperism and Charities

(Abstracts by F. D. Watson)

LANE, W. D. *At the bar of childhood*. Survey, Feb. 12, 1916.

Testimony concerning the disgraceful conditions in some private institutions in and about New York City, brought out in the investigation of the state charities law.

LANE, W. D. *Charity patchwork and a program*. Survey, Nov. 23, 1916.

A review of the report of Charles H. Strong's special inquiry, at the request of Governor Whitman, into the theory and practices of New York's state administration of charities. The report goes to the fundamentals of charity work as an essential of government. It recommends abolishing five overlapping and underworking offices and commissions and setting up a supervisory board broadly equipped to do its work.

LANE, W. D. *A rich man in the poorhouse*. Survey, Nov. 4, 1916.

An account of the remarkable reforms accomplished in the management of the public charities of Westchester County New York under V. Everit Macy who for three years has been superintendent of the poor.

NORMAND, J. *L'assistance publique à Paris*. L'Econ. Franç., Nov. 4, 1916.

The effect of the war on public assistance in Paris, showing the increased expenditures and other necessary adjustments.

PRICE, E. C. *The war charities report*. Charity Organ. Rev., Aug., 1916.

A resumé of the report of the committee on war charities recently appointed by the Home Secretary of England to consider representations which have been made in regard to war charities and to advise whether any measures should be taken to secure better supervision of such funds in the public interest. The committee made a number of recommendations based largely on the principle of the compulsory registration of all such charities.

## NOTES

Since December 1, 1916, the following names have been added to the membership of the American Economic Association:

- Ackland, Richard E., 52 N. Fourth St., Columbus, Ohio  
 Alworth, Marshall W., 1607 Alworth Bldg., Duluth, Minn.  
 Anderson, R. Earle, 1637 Chapel St., New Haven, Conn.  
 Andrews, Benjamin R., Teachers College, Columbia University, New York  
 Armstrong, Floyd E., 116 Jason St., Arlington, Mass.  
 Ayars, Christine Merrick, 131 Davis Ave., Brookline, Mass.  
 Badgely, Arthur, General Electric Co., Schenectady, N. Y.  
 Barley, A. C., Barley Motor Co., Streator, Ill.  
 Barnes, Gilbert H., Carnegie Institute of Technology, Pittsburgh, Pa.  
 Bates, N. E., The N. Escalante Co., 120 Broadway, New York, N. Y.  
 Bice, Hubert E., 14 E. Patterson Ave., Columbus, Ohio  
 Bickley, John H., Lehigh University, South Bethlehem, Pa.  
 Bradley, F. W., Crocker Bldg., San Francisco, Calif.  
 Bright, Stanley, Cedar Hill Farm, R. F. D. No. 2, Reading, Pa.  
 Brooks, L. C., National Paper Can Co., 598 Clinton St., Milwaukee, Wis.  
 Cadwell, H. J., Carthage, N. Y.  
 Catanzara, Samuel L., 2127 Penn Ave., Pittsburgh, Pa.  
 Cowan, Stuart D., 44 East 23d St., New York, N. Y.  
 Dadisman, A. J., Morgantown, W. Va.  
 Dies, William P., 304 Y. M. C. A., Detroit, Mich.  
 Dreesen, William H., 203 Commerce Bldg., Urbana, Ill.  
 Eckelberry, George Wendell, 303 West 8th Ave., Columbus, Ohio  
 Foth, J. H., Kalamazoo, Mich.  
 Frank, Glenn, Madison Square Hotel, New York, N. Y.  
 Franklin, Moses, 28 Davenport St., Detroit, Mich.  
 Fuller, Charles, 310 W. Washington St., Chicago, Ill.  
 Gephart, George, Ohio State University, Columbus, Ohio  
 Gillette, John M., University, N. Dak.  
 Graham, Wallace, The Ottumwa Mercantile Co., Ottumwa, Iowa  
 Greene, Everett Kenneth, 1201 Oread Ave., Lawrence, Kans.  
 Gunzenhauser, Charles E., 1007 N. Duke St., Lancaster, Pa.  
 Harrison, G. Charter, 31 Nassau St., New York, N. Y.  
 Hendry, W. A., Portage La Prairie, Manitoba, Canada  
 Heurtley, Arthur, 50 S. La Salle St., Chicago, Ill.  
 Honjo, E., No. 87, Okazakicho-Ikenouchi, Kyoto, Japan  
 Hsu, Chuan-ying, 1104 Euclid St., Champaign, Ill.  
 Jenkins, C. B., General Asbestos & Rubber Co., Charleston, S. C.  
 Jerome, Harry, 23 South Hall, University of Wisconsin, Madison, Wis.  
 Johnson, O. M., Townsend Hall, Ohio State University, Columbus, Ohio  
 Jordan, G. Weaver, 211 Majestic Bldg., Oklahoma City, Okla.  
 Lake, Chauncey F., Box 495, Boulder, Colorado  
 Lee, Mrs. Mary E., Westerville, Ohio  
 Lupton, Edmund R., 41 Addison Ave., Rutherford, N. J.  
 Nishi, H., Kyoto Imperial University, Kyoto, Japan

- McJohnston, Harrison, 309 Commerce Bldg., Urbana, Ill.  
McLaren, James R., 605 Third St., Brooklyn, N. Y.  
Manley, Edward, 6100 University Ave., Chicago, Ill.  
Mary Augustine, Sister, Notre Dame College, Baltimore, Md.  
Mears, Eliot G., Scarsdale, N. Y.  
Miles, George F., 1459 Parsons Ave., Columbus, Ohio  
Miller, J. C., The Miller Supply Co., Huntington, W. Va.  
Mills, Ogden L., 25 Broad St., New York, N. Y.  
Moorehead, R. W., Moorehead Knitting Co., Harrisburg, Pa.  
Morgan, Charles, 926 Yale Station, New Haven, Conn.  
Morrison, James W., 719 Rush St., Chicago, Ill.  
Morse, Lewis Kennedy, 201 Devonshire St., Boston, Mass.  
O'Brien, John J., 4118 Washington Blvd., Chicago, Ill.  
Oster, John E., 444 Riverside Drive, New York, N. Y.  
Parker, Carleton H., 38 Mosswood Road, Berkeley, Calif.  
Perkins, Albert T., St. Louis Union Trust Co., St. Louis, Mo.  
Pike, Eugene R., 45 Cedar St., Chicago, Ill.  
Platt, Robert S., 5520 Blackstone Ave., Chicago, Ill.  
Powell, Thomas Reed, Kent Hall, Columbia University, New York, N. Y.  
Power, Clifton N., The Sumville Baking Co., Pueblo, Colorado  
Powers, Frederick Eugene, Frankfort Ave. and Beach St., Atlantic City,  
New Jersey  
Priddy, Allan L., Amos Tuck School, Hanover, N. H.  
Rich, Edgar, 6 Beacon St., Boston, Mass.  
Richards, E. G., 530 West End Ave., New York, N. Y.  
Riddle, Jesse H., Graduate College, Princeton, N. J.  
Rodgers, B. C., 273 Eliot St., Milton Mass.  
Rosenblum, Nathan, 1022 Hoe Ave., New York, N. Y.  
Rosenthal, Mrs. Samuel, 1905 Eutaw Place, Baltimore, Md.  
Saposs, David J., 118 Historical Library, Madison, Wis.  
Schwab, Louis, 20 Vernon Terrace, East Orange, N. J.  
Sedam, M. D., 4119 Western Ave., Los Angeles, Calif.  
Severance, Frank L., 405 East 8th St., Kansas City, Mo.  
Sheppard, Harry E., 806 Sullivant Ave., Columbus, Ohio  
Sikes, Earl R., 112 S. Baker, Ithaca, N. Y.  
Simons, Seward C., Throop College, Pasadena, Calif.  
Smith, M. A., Smith Patterson Co., 52 Summer St., Boston, Mass.  
Smith, Pierre J., 91 Wall St., New York, N. Y.  
Snively, Charles, Westerville, Ohio  
Stein, Ernst, 4850 Kimbark Ave., Chicago, Ill.  
Stewart, James A., 15 Dey St., New York, N. Y.  
Stiefel, Carl F., 150 Maiden Lane, New York, N. Y.  
Stowell, Charles J., 901 W. Springfield Ave., Urbana, Ill.  
Straight, Willard, 120 Broadway, New York, N. Y.  
Sydenstricker, Edgar, U. S. Public Health Service, Washington, D. C.  
Taylor, Edmund, The Goyer Company, Greenville, Miss.  
Tetlow, Miss Frances H., 237 Langdon St., Madison, Wis.  
Townsend, F. K., Seneca Camera Mfg. Co., Rochester, N. Y.  
Trachtenberg, Alexander L., 140 East 19th St., New York, N. Y.  
Tugwell, Rexford G., University of Pennsylvania, Philadelphia, Pa.

Urdahl, Thomas K., 23 South Hall, Madison, Wis.  
Veith, Ferdinand, Jr., 275 Miller Ave., Brooklyn, N. Y.  
Van Thun, William, 55 Cedar St., New York, N. Y.  
Vaughan, Floyd L., University of Wisconsin, Madison, Wis.  
Von Tungeln, George H., Iowa State College, Ames, Iowa  
Webb, George D., 1423 Insurance Exchange, Chicago, Ill.  
Wicker, George Ray, Hanover, N. H.  
Wilkinson, R. S., State Agricultural and Mechanical College, Orangeburg, South Carolina  
Wilson, James E., 528 S. Fifth Ave., Chicago, Ill.  
Wolf, F. E., Baldwin City, Kansas  
Wolfe, Robert F., Ohio State Journal, Columbus, Ohio  
Woodrow, M. E., Corsicana Cotton Mills, Corsicana, Texas  
Work, Monroe N., Tuskegee Institute, Tuskegee, Ala.  
Young, Edward J., Madison, Wis.  
Young, James W., 44 East 23d St., New York, N. Y.  
Zook, Joseph I., Care of Montgomery Ward & Co., Chicago, Ill.

At annual meetings held in December, 1916, the following officers were elected for the year 1917:

American Statistical Association: Allyn A. Young, president; S. B. Pearmain, treasurer; Carroll W. Doten, secretary (Massachusetts Institute of Technology, Cambridge, Mass.).

American Political Science Association: Munro Smith, president; Chester Lloyd Jones, secretary-treasurer (University of Wisconsin, Madison, Wis.).

American Association for Labor Legislation: Irving Fisher, president; Adolph Lewisohn, treasurer; John B. Andrews, secretary (131 East 23d St., New York City).

American Sociological Society: George E. Howard, president; Scott E. W. Bedford, secretary-treasurer (University of Chicago, Chicago, Ill.).

A quarterly meeting of the American Statistical Association was held in New York on December 14, 1916, to consider "Some problems and results in current social investigations."

The first meeting of the American Association of University Instructors in Accounting was held in Columbus, Ohio, December 28, 1916. Professor John R. Wildman, of New York University, was elected president.

During the last year there has been established in the Ohio State University a College of Commerce and Journalism. Two years of college work are required for entrance. The groups of work offered, each leading to a degree of bachelor of science, are business administration, journalism, social service, and public service.

The University of Illinois conducted its third Short Course in Business for Retail Merchants at the University, January 30 to February 2, 1917.

The Merchants' Association of New York has established an Industrial Bureau under the directorship of Alfred L. Smith, formerly of the Amos Tuck School, Dartmouth College.

The National Municipal League (North American Bldg., Philadelphia) has selected as the topic for next year's competition for the William H. Baldwin prize, "Tendencies in municipal budget making." The prize is \$100 and the competition is open to undergraduates of any college in the United States. The League has also established a Morton Denison Hull prize of \$250, to be awarded for the best essay on a subject connected with municipal government, and which is open to post-graduate students.

Announcement has been made that prizes offered by Hart Schaffner & Marx for 1916 have been awarded as follows: In Class A, first prize was granted to Duncan A. MacGibbon for a paper entitled "Railway rates and the Canadian Railway Commission"; second prize to J. Noble Stockett, Jr., for a paper entitled "The arbitral determination of railway wages." In Class B, first prize was granted to Victor E. Gutwillig for a paper on "The manufacture and marketing of men's ready-to-wear clothing"; and second prize to Herbert Feis for a paper on "Economics of the minimum wage, with reference to American wage conditions."

The David A. Wells prize of Harvard University for this year has been awarded to C. H. Haring for a thesis entitled "Trade and navigation between Spain and the Indies." For 1915-1916 it was awarded to Harley L. Lutz for an essay on "State control over the assessment of property for taxation, with special reference to the state tax commission."

The Pliny Fisk Statistical Library of Princeton University and the Library of the Bureau of Railway Economics of Washington, D. C., have been preparing a composite catalogue of the railroad mortgages contained in the leading libraries of the United States which have specialized in railroad economics. The material is at present in typewritten form. It will be reproduced and bound in paper if, in view of the usefulness of such a catalogue to students of railway economics and to libraries, there is demand for such an edition. Any one wishing to become a subscriber should address Professor E. W. Kemmerer, Princeton University, Princeton, N. J.

The private library of Professor G. S. Callender has been purchased for the Oberlin College Library by the Class of 1891, of which Professor Callender was a member.

G. E. Stechert & Co., 151 West 25th St., New York City, has issued a typewritten list of second-hand books which they have for sale. These are largely German books dealing with political economy.

The Library of Congress has published *A List of American Doctoral Dissertations Printed in 1915*.

During the past year the Division of Bibliography of the Library of Congress has prepared special typewritten lists on the following subjects: advertising (35 pp.), chain stores (4 pp.), cost of selling (5 pp.), dumping (10 pp.), financial and banking relations between the United States and Latin America (9 pp.), fraudulent practices in the promotion of corporations and the sale of securities (9 pp.), freight classification (3 pp.), industrial insurance, with special reference to accident insurance (6 pp.), populist party (3 pp.), bibliographies on the regulation of public utilities (4 pp.), brief list on tariff (3 pp.), tariff commissions (16 pp.), taxation of inheritances, Jan., 1910-Dec., 1915 (8 pp.), taxation of intangible property, with special reference to mortgages (5 pp.), exemption from taxation of the property of churches and educational institutions (4 pp.), trade organization in Germany (7 pp.), trade unions among government employees (6 pp.), valuation of real property for taxation (7 pp.), and welfare work for laborers (3 pp.).

Professor L. B. Schmidt, in charge of history at the Iowa State College of Agriculture and Mechanic Arts, has begun the preparation of the "Economic History of Agriculture in Iowa," which will be published by the State Historical Society of Iowa.

The first volume of the year book published by the Permanent Office of the International Statistical Institute (the Hague) has been received. It is entitled "Etat de la Population (Europe)" and covers 166 pages. This is soon to be followed by a volume on the movement of population in Europe and one on the movement of the population of countries outside of Europe.

D. Appleton and Company announce the early publication of *An Introduction to Social Psychology*, by Professor Charles A. Ellwood of the University of Missouri; and *Introduction to Rural Sociology*, by Professor Paul L. Vogt, of Ohio State University.

The City Club of Chicago has recently published *Land Development*, edited by A. B. Yeomans.

The Macmillan Company will shortly publish a book on *American Labor History*, by John R. Commons and others, which follows these subdivisions: Colonial and federal beginnings to 1827; Citizenship, 1827-1833; Trade unionism, 1833-1839; Humanitarianism, 1858-1877; Nationalization, 1858-1877; Upheaval and reorganization, 1876-1896.

Dr. Alexander E. Cance and Mr. Ralph M. Rutledge, of the department of agricultural economics at the Massachusetts Agricultural College, are the joint authors of a bulletin on *National Farm Loan Associations*. This bulletin, published by the Extension Service of the college, explains the purpose of the farm loan act and the methods of organization and conduct of the farm loan association. Amortization tables and suggested forms for articles of association and by-laws for the associations are presented as appendices.

The spring announcement of new Macmillan books includes: *Elementary Principles of Economics*, by Richard T. Ely and George Ray Wicker; *Elementary Social Science*, by Frank C. Leavitt; *History of Commerce and Industry*, by Cheesman A. Herrick; *Economic Development of Modern Europe*, by Frederic Austin Ogg; *The Danish West Indies*, by Waldemar Westergaard; *Alaska: The Great Country*, by Ella Higginson; *American World Policies*, by Walter E. Weyl; *Everyday Bookkeeping*, by Artemus M. Bogle; *Some Legal Phases of Corporate Financing Reorganization and Regulation*, by Francis Lynde Stetson, James Byrne, and others; *The Minimum Cost of Living: A Study of Families of Limited Income in New York City*, by Winifred Stuart Gibbs; and *The Extent and Scope of Jewish Philanthropy*, by Boris D. Bogen.

The current volume of the *Review of Historical Publications relating to Canada*, volume 20 of the University of Toronto series, contains notices of some thirty books and articles in the section given to geography, economics, and statistics.

The *Political Science Quarterly* has published an *Index* to the thirty volumes appearing between 1886 and 1916.

The National Conference of Catholic Charities has begun the monthly publication of *The Catholic Charities Review*. The editor is Rev. John A. Ryan (Catholic University of America, Washington, D. C.); the subscription price, \$1 yearly.

In January, 1917, appeared the first number of a new monthly

magazine devoted to railway and industrial traffic efficiency. *Commerce* is combined with the "Railway World" and is published by the Commerce Publishing Company, Chicago, at a subscription price of \$3.

*Appointments and Resignations*

Mr. George B. L. Arner is statistician for the International Health Board of the Rockefeller Foundation in New York City.

Professor E. L. Bogart, of the University of Illinois, and Professor Meade, of the University of Pennsylvania, will lecture in the Columbia Summer School this year.

Dr. Moritz J. Bonn, of the University of Munich, in February gave a short course of lectures at the Ohio State University on the commercial and industrial expansion of Germany during the last quarter-century.

Professor Frank T. Carlton, of Albion College, is delivering a short series of lectures on sociological problems before the students in the various training schools connected with the Battle Creek Sanitarium.

Professor Irving Fisher is to give the Hitchcock lectures at the University of California, next October, on the subject of price levels.

Mr. John A. Fitch has been appointed a member of the permanent staff of the New York School of Philanthropy in the department of industry and will give the courses on industrial conditions and industrial research.

Professor John H. Gray, of the University of Minnesota, is on sabbatical leave from February 1, 1917, to September 1, 1918, to take up work under the Division of Valuation of the Interstate Commerce Commission.

Professor M. B. Hammond, of the Ohio State University, in January gave at Harvard University three lectures on recent developments in the labor arbitration controversy in Australia and New Zealand.

Professor Edward D. Jones, of the University of Michigan, in February lectured under the direction of the Wall Street Division of the New York University School of Commerce, Accounts and Finance on "The principles of business administration."

Dr. H. L. King has been appointed instructor in history and economics at Oberlin College.

Mr. Milo R. Maltbie has resigned his position as adviser of the Division of Valuation of the Interstate Commerce Commission on account of his service as city chamberlain of New York City.

Mr. E. C. Porter is making an investigation of economic conditions in Russia in behalf of the American-Russian Chamber of Commerce, of which he is executive secretary.

Dr. A. M. Sakolski, the secretary of the Valuation Committee of the Delaware and Hudson Company, has full charge during this year of the educational courses of the Albany Chapter of the American Institute of Banking.

Dr. Hugo P. J. Selinger has been appointed to the Edwin M. Stanton professorship of economics and sociology in Kenyon College.

Miss Mary Van Kleeck has resigned from the staff of the New York School of Philanthropy in order to give her entire time to the Department of Industry in the Russell Sage Foundation, of which she is director.

Paul Leroy Beaulieu died December 10, 1916, at the age of seventy-three. For forty-three years he had edited *L'Economiste Français*, of which he was the founder; and for a period of twenty-five years had also served on the staff of *La Revue des Deux Mondes*. Among the best known of his books are: *Traité d'Economie Politique*; *Précis d'Economie Politique*; and *Traité de la Science des Finances*.

